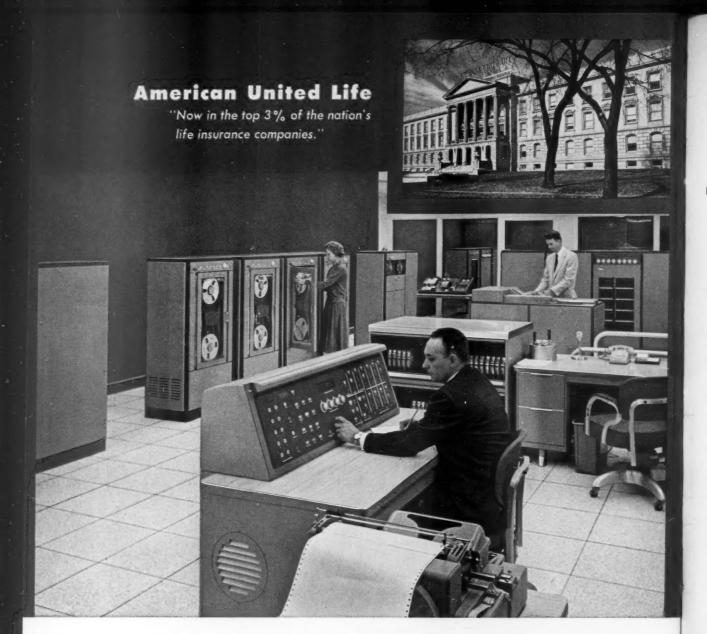
BUSINESS WEEK December 2, 1961 Fifty cents

A McGraw-Hill Publication

The new shortageresearch scientists Page 126

Below: Pittsburgh Steel's Allison R. Maxwell, Jr. is parlaying the men, materials, and money to make his company a real competitor [Companies]





"Our NCR Computer is proving to be a highly profitable investment!"

- AMERICAN UNITED LIFE INSURANCE COMPANY, Indianapolis, Indiana

"We believe our NCR Data Processing System is the answer to insurance record-keeping and processing needs. For all intents and purposes, it has taken the term "delayed-processing" from our vocabulary. We now process today's data today, and obtain today's reports today.

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We now can better serve the respective reporting and record-keeping needs of the individual salesmen, as well as all levels of sales management. And, we can prepare customer premium notices in 1/25th of the time previously required.

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President & Chairman of the Board American United Life Insurance Company

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Putting computers in the back office. The Midwest Stock Exchange is touting

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1303	1953-55	Year	Month	Week	§ Lates
DIJCINECO WEEK indox	average	ago	ago	ago	Weel
BUSINESS WEEK index chart	133.3	144.4	161.2	162.3 r	162.0
Production	- 3-3				
Steel ingot [thous, of tons]	2,032	1,367	2,057	2,037r	
Automobiles Engineering const. awards [Eng. News-Rec. 4-wk. daily av. in thous.]	125,553 \$52,412	111,091 \$81,206	159,136 \$81,066	154,230r \$70,473	124,678 \$70,167
Electric power [millions of kilowatt-hours]	10,819	13,884	15,263	15,678	15,330
Crude oil and condensate [daily av., thous. of bbl.]	6,536	6,992	7,128	7,206	7,210
Bituminous coal [daily av., thous. of tons]	1,455	1,376	1,437	1,500r	
Paperboard [tons]	247,488	270,596	356,111	344,952	332,276
Trade					
Carloadings: miscellaneous and I.c.I. [daily av., thous. of cars]	70	55	61	57	55
Carloadings: all others [daily av., thous. of cars]	47	40	47	44	43
Department store sales index [1947-49=100, not seasonally adjusted] Business failures [Dun & Bradstreet, number]	121 198	170 276	163 304	169 308	180 238
	130	270	304	300	200
Prices	89.2	88.5	90.9	88.0	88.1
Industrial raw materials, daily index [BLS, 1947-49=100]	90.5	75.9	74.3	75.3	76.2
Print cloth [spot and nearby, yd.]	19.8¢	18.0¢	17.8¢	17.8¢	17.8¢
Finished steel, index [BLS, 1947-49=100]	143.9	186.2	185.4	185.4	185.4
Scrap steel composite [Iron Age, ton]	\$36.10	\$28.50	\$34.50	\$32.83	\$32.83
Copper [electrolytic, delivered price, E&MJ, lb.]	32.394¢ 20.6¢	30.000¢ 26.0¢	31.000¢ 24.0¢	31.000¢ 24.0¢	31.000¢
Aluminum, primary pig [U. S. del., E&MJ, lb.]	\$2.34	\$2.00	\$2.09	\$2.12	\$2.12
Cotton, daily price [middling, 1 in., 14 designated markets, lb.]	34.57¢	30.19¢	33.60¢	33.59¢	33.58€
Wool tops [Boston, Ib.]	\$1.96	\$1.68	\$1.81	\$1.81	\$1.81
Finance					
500 stocks composite, price index [S&P's, 1941-43=10]	31.64	55.88	68.47	71.69	71.79
Medium grade corporate bond yield [Baa issue, Moody's]	3.59%	5.09%	5.13%	5.10%	5.10%
Prime commercial paper, 4 to 6 months, N. Y. City [prevailing rate]	2-21/8%	3%%	3%	3%	3%
Banking Millions of dollars					
Demand deposits adjusted, reporting member banks	††	59,864	63,920	62,777	62,632
Total loans and investments, reporting member banks	††	108,250	117,035	118,170	117,203
Commercial, industrial and agricultural loans, reporting member banks J. S. gov't guaranteed obligations held, reporting member banks	††	33,018 29,388	33,082 34,327	33,390 34,181	33,275 33,854
Total federal reserve credit outstanding	26,424	29,542	29,544	29,817	30,465
Gold stock	21,879	17,986	17,302	17,279	16,975
Monthly figures of the week		1953-55	Year	Month	Latest
	ober	average 114.6	127.3	128.3	Month 128.4
lousing starts [in thousands]	ober	101.5	113.2	127.8	127.6
McGraw-Hill Indexes of New Orders [1950=100]	ahar	101	400	***	/ ***
	ober	104 111	166	193	196 138
	ober	125	139 158	155 269	210
	ober	††	130	. 159	164
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^{*} Preliminary, week ended November 25, 1961. †† Not available. Series revised.

r Revised. § Date for 'Latest Week' on each ser → on request.

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READERS REPORT

Snowballs in July?

Dear Sir:

In your article, "Neutrals who are not neutral" [BW Oct.21'61, p67], you comment on the neutrality of Switzerland.

I do not, in any way, respect them for their stand. They do not help the international situation in the least. They are merely letting other people fight their battles for them. If America and England had not fought Hitler for them, where would they be today? If the Western powers were not continuing their struggle against Communism, the "tough standing army" of Switzerland wouldn't have the chance of a snowball in July against Khrushchev.

I think they should quit patting themselves on the back for their ability to stay out of war. . . .

Mrs. Elmer C. Tapp, Jr. Raytown, Mo.

Hitting the tape first

Dear Sir:

The new IBM tapes were described in "IBM's new tape drive" [BW Nov.4'61,p89] with a quoted delivery date of April, 1963, and the speeds were alleged to be more than twice as fast as any now in operation.

In May, 1961, the first Bendix G-20 computer was delivered, including tape units with the following specifications:

Search speeds:

480,000 characters per second Read-write speeds:

240,000 numeric characters per second

120,000 alphabetic characters per second

Additional G-20 computers have been installed since that date, and are operating to specifications.

You will note that the comparison made was not valid, and we hope that you will be kind enough to set the record straight.

W. Driedger

Bendix Computer Division Bendix Corp. Oak Park, Mich.

Shoppers' subconscious

Dear Sir

Your shopping bag survey [BW Oct.21'61,p125] apparently disregards a substantial factor in the placings given the bags by 200



Allen-Bradley combination starters have all the qualities that modern, high production operations must have in motor control. They bring you small size, reliable operation, simple design, extra interrupting capacity, long life, and generous wiring room. Also, installation is simpler and less expensive as compared with using a separate disconnect switch with a separate starter. Greater safety is another "cost-free" advantage. The door of the combination starter enclosure cannot be opened until the visible contact disconnect switch is OPEN and the starter is dead. These new A-B combination starters are as advanced in appearance as they are in performance. Really, you ought to know more about these new starters. Please write for Publication 6100: Allen-Bradley Co., 1202 South Third Street, Milwaukee 4, Wisconsin.

ALLEN-BRADLEY

Quality Motor Control

Midwestern women. The B. Altman & Co. bag is similar to a Marshall Field shopping bag-an image of which is quite likely to be in at least the subconscious memory of anv Midwestern woman

In any event, one might suppose that it would have been more conducive to reliable results to concoct six fictitious stores and shopping bags, thereby removing any subconscious impressions of the stores involved. In this day of national mass media, even stay-at-home denizens of Topeka and Columbus are likely to have had ample opportunity to form such impressions.

In any event, most stores could more profitably worry about the "corporate image" created by disinterested, uninformed salespeople than about that created by their shopping bags. The few shining exceptions to this situation have created an impression which even a shopping bag chopped down from a fertilizer bag could not destroy.

Dorothy B. Clarke Kansas City, Mo.

On the wrong track

In "Two largest railroads push merger plan" [BW Nov.11'61,p36] your caption writer evidently got carried away and forgot to "merge the Central and Pennsy." He thought it best to switch presidents, which in my humble opinion might not be bad for either road. James V. Rocco White Plains, N. Y.

· We caught the error early in the press run, and the right face with the right caption-N. Y. Central's Pres. Perlman and Pennsylvania's Symes-appeared in most copies.







Alfred E. Perlman

Letters should be addressed to Readers Report Editor, Business Week, 330 W. 42nd St., New York 36, N. Y.

Business outlook

BW

December 2, 1961

New car sales bolster optimism for next year Optimism comes easily to the automobile industry. And, as Detroit counts up dealers' sales reports, smiles are breaking out all over (page 39).

The industry is deep enough into the new-model run by now to decide the surge in sales isn't due to orders dammed up by strikes.

In fact, you'll have no trouble at all finding estimates indicating that deliveries to customers not only are running well ahead of last year's surprising (if abortive) total but even ahead of the record for the final three months of 1955.

The talk is that November sales were as good or better than October's 555,000 U.S.-built cars—and December better still.

It's no use pointing out that the auto woes of early 1961 traced to a fine sales record in 1960's final quarter. This is another model year—a season that feels the rising economy, one that follows a long period in which car owners have been paying off debt the better to buy again.

Moreover, the argument runs, inventories are much lower than they were a year ago and will be lower at the turn of the year. And practically all the old models have been sold in sharp contrast to a year ago.

These are, by the experience of the past decade, the things that good sales years are made of. Detroit figures it has them all now.

Lo! It's almost a 6-million year

Present projections for new car sales to the end of the year put the total close to 6-million, a lot better than it looked two months ago.

Figure 5,575,000 (give or take a few thousand) for U. S.-built cars, and a bit over 375,000 for imports. That adds up to some 5,950,000. In 1960, it was 6,078,000 plus 499,000 imports.

And here's another thing: If dealers sell 5,575,000 U.S.-built cars this year, they will be topping production by just about 100,000 (without taking into account between 100,000 and 150,000 exported).

Quarter's output now running second only to '55

Fourth-quarter production of autos will run between 1\%-million and 1.8-million, judged off output to date and reported December goals.

That's only a little ahead of the 1,737,000 turned out in the same period last year—but it just happens that last year's outturn was the best for any final quarter since 1955.

Even this booming fourth quarter won't make 1961 any great shakes as a production year. The total will be a little under 5.6-million, down from 6.7-million last year and about on a par with 1959. Dismal 1958 was the only year of the last eight to run lower.

Low production for calendar 1961, nevertheless, carries its own blessing: It has brought about the deep cut in dealers' inventories which, by itself, speaks well for future production.

But there's more to it than that. The fourth quarter is usually the period of big inventory build-up. This year's will be small.

If present sales estimates pan out, we will enter January with dealers' stocks not much over 850,000. That, you doubtless will recall, contrasts with more than a million going into 1961. So there's more stock building ahead to get ready for spring.

SIMILE TANDE OF THE BUILDING OF THE PARTY OF

Business outlook Continued

Steel output and strike hedge hangs on autos There's a lot riding on the size of auto inventories, the shape of the demand curve, and the industry's production early in 1962.

This isn't just the often-told story of how much autos mean to the economy as a whole. It applies very specifically to steel in the year in which steel may face a strike—and in which users of steel have to plan how (and how much) to protect themselves against a strike.

If autos are going great guns in the early months of 1962, they'll certainly be chewing up one-fifth of all the steel in sight. That could make the bind on other industries even tighter than some fear now.

Steel operations for the last two months, the country over, would give little indication of the relatively high rate of auto output. Mill operations have been no more than steady, if that.

To some extent, this is due to the fact that steel mills anticipated auto needs and laid by a bit of semi-finished stock for quick processing.

But there's another, more sensitive, measure of auto demand. That is the output rate of mills in the Detroit area. This dipped, during the strikes, to 110% of the 1957-59 average. Since then, while the industry as a whole has stood still, the Detroit area has soared to 150.

Detroit may not be the steel industry's biggest district, and it can't begin to fill automotive needs. But it can deliver quickest.

That steel hedge—what it will cost

You're going to lay by a little steel against a strike. Everyone is. Maybe three months' supply, bought in six monthly installments?

Taking that assumption, McGraw-Hill's Purchasing Week asked a team of experts how much this will add to costs. Carrying charges, the magazine will say on Monday, would be $1\frac{1}{2}\%$ a month. Now take these contingencies:

No strike, no price increase—and the cost figures 7%.

No strike, but a 3% price hike on July 1-31/2%.

Three-month strike, then a 3% price hike-7%.

A strike, not accompanied by a price increase—7%.

Thus, says Purchasing Week, you know how much the hedge costs—a hedge against closing down, disappointing dealers, losing sales.

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Metal markets show some signs of bottoming Two recently weak metal markets showed signs of finding bottom or actually turning around in the last few days.

Steel scrap, after dropping nearly \$8 from prices close to \$40 a ton in late summer, seemed to be attracting some buyers. Lead recovered a quarter of the 1ϕ a lb. it had shed in the last month.

And the one steel product that is very nearly immune to business ups and downs—the tin can—was advanced in price.

Notwithstanding these scattered price increases—and another tenth-ofa-point rise in the Consumer Price Index—pricing isn't a one-way street. Ask any tire company executive.

With low auto output until October and large capacity, competition in tires has never been keener since World War II. This came to the surface during the last few days in deep cuts on truck tires. And the cuts were believed barely to match widespread discounting, if that.

The replacement market for auto tires is setting a record, but current sales are nothing to shout about.

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Christmas sales

Buying mood is back

Shoppers, cagey all year, are jamming stores, heralding big holiday gains

Christmas shoppers are cheering up retailers across the nation after a tear of playing it cages.

year of playing it cagey.

Friday, the day after Thanksgiving, was Santa's real kickoff, and it came on top of strong earlier buying in, many parts of the country. A Filene's store in Boston had to lock its doors at noon that Friday to stem the crowds. Chicago's State Street was jammed by a million shoppers, and downtown garages were filled by 10 a.m. Said a Salt Lake City cop, gaping at the throngs pouring into the giant ZCMI department store: "This will be a humdinger of a Christmas."

Retailers from New York to Los Angeles are talking big gains in sales this Christmas over last season. There are a few blight areas, of course, and major appliance dealers in most cities are glum. But with the new push from autos (page 39), national retail sales should easily reach the 4% to 5% gain over last December that Secy. of Commerce Luther H. Hodges predicted this week.

For such traditional Christmas shopping meccas as department stores and apparel shops, the gains may well run to 7%, a Business Week survey of over 100 retailers in two dozen U.S. cities indicates.

For the year as a whole, the expected Christmas gains may still



Crowds of shoppers in New York midtown typify nationwide splurge at stores

not be enough to pull over-all retail sales up to last year's record of \$219.6-billion. Retail sales have lagged behind the general recovery. In the first three quarters of this year, they were still 1% off from a year earlier, and October sales were only a shade above the previous October.

Loosened purse strings. But signs now point to a loosening of consumers' purse strings that may well carry over into 1962. Despite rising personal income, Americans have been holding onto their dollars. Personal savings reached a three-year peak rate in the second quarter, at an annual rate of \$25.8-billion, and rose \$1-billion more in the third quarter. The Christmas splurge now suggests enough of a drop in the savings rate to push 1962 retail sales up 5% to 7% over this year.

Statistics apart, the Christmas shopper is definitely in a buying mood. Says a Philadelphia store manager: "People have money, and they're spending it on everything in sight." Dominic Tampone, president of New York's carriage-trade Hammacher Schlemmer, says, buyer this year is in a gay mood."

A Seattle merchant calls it an

"effervescent spirit."

Special cases. Even in some cities where retailers are pessimistic, the gloom does not stem from the mood of consumers. Rochester's merchants are hard hit by a prolonged bus strike, but suburban stores are booming. Detroit retailers, store for store, foresee sales declines in the wake of a rash of new discount houses; yet they believe the city's over-all sales will gain because consumers are "livening up.

But merchants in Denver and Minneapolis, about the glummest in the country, are still waiting for the customer "to get out of his rut."

I. 'Revolt against junk'

Perhaps the most heartening characteristic about this year's Christmas shopper is his proclivity for high price tags. "This is the year of revolt against junk," says a Salt Lake City department store manager. "There's no resistance to highprice merchandise," declares an official of Ohrbachs, New York specialty store. For many retailers, this is a portent of greater spending ahead next year.

With some isolated exceptions, such as Kansas City, this is the trend noted by retailers everywhere. A women's store in Detroit is puzzled over why it can't move its markdowns; its customers are interested only in the better merchandise.

Furs to color TV. Furs (page 115) at \$7,000 are moving briskly at a big Cleveland store. A Sears, Roebuck store at Des Moines' Merle Hay Plaza sold out of mink coats last week and has reordered. A Milwaukee store manager says one of his hottest items is a man's sports hat at \$40. F.A.O. Schwartz, big New York toy house, reports its top merchandise moving well.

This trend is giving a fillip to such big-ticket merchandise as consumer electronics and home furnishings. Pianos, electric organs, and stereophonic record players are going well in Seattle, Boston, and other key cities. Color television, at \$500 up, is a fast-moving item in most cities. Steve Benzik, a Chicago appliance dealer, reports he has sold out of RCA color TV sets and can't get more from his distributor.

Bargain hunting, too. The customer is still shopping hard, though. Despite good sales of high-ticket items, Chicago's Benzik says customers appear to be going from store to store hunting for bargains. "They know more about the merchandise than I do," he says.

A Pittsburgh store manager says: "The key term describing today's consumer is 'quality conscious.' If you can show him he's getting fair value for his money, he's willing to pay for it.

To be sure, discount houses are doing a big business in many areas -a sure sign that some customers are still price conscious. But department store and specialty retailers feel that's precisely why they are not encountering bargain hunters.

A Detroit department store official explains: "The bargain conscious buyer is out scouring the discounters, and it's automatically increasing our unit sales." Even a Salt Lake City discounter reports he is stocking more high-priced items than usual "so we can satisfy the customer who wants to move up a

II. Laggards and leaders

One line that's not sharing in the general splurge is white goods-refrigerators, stoves, and home laundry appliances. At best it's spotty, varying on a store by store and often a city by city basis.

In Seattle, appliance stores are doing a brisk business. One reports November sales 30% over last November and expects December to be at least 12% up from last year. A Los Angeles discounter says major appliances have been the outstanding line this month, "though it's unheard of this time of year.

But a chain in the New York-New Jersey area says glumly, "Major appliances are depressed." Dealers in Milwaukee, Dallas, and Pittsburgh are equally unhappy. One Milwaukee dealer predicts a drop of 25% in sales in December. A Dallas dealer says, "If Christmas business turns out 18% better than last December, we'd still come out just even with last year—which was a poor year, too." In fact, his best sales are in used appliances, 30% up from last

When a Pittsburgh dealer was queried on appliance sales, his brief reply was, "Forget it. I'm getting

out of the business.

Rosy. In contrast with this, some of the predictions by department stores, apparel merchants, and gift shops are almost too rosy to be true. In New York, where business was off last Christmas, some estimates of the gain this season run 14% to 20%. More conservative is Arthur L. Manchee, president of Macy's New York, who expects a 5% to 6% gain.

Some stores in Des Moines, Seattle, Salt Lake City, Chicago, and Syracuse are talking of 15% to 20% gains, with a few conservative retailers admitting to 3% to 5% gains. Even in gloomy Denver and Minneapolis you can get estimates rang-

ing from 2% to 10%.

III. Sales and profits

Even if sales are up this Christmas, however, profits may not fare so well. For many retailers, a Christ-mas boom would at best bail out losses earlier this year. And the heavy Yuletide flow of customers has in part been paid for by added promotional costs.

In many cities retailers started their advertising, cheery store displays, and street decorations a couple of weeks earlier than usual. Some stores, such as John Wanamaker's in Philadelphia, have added electronic-computer "gift selectors" as a come-on. Says a Salt Lake City retailer: "We've got to promote this year because there's more competition.

Few overstock worries. Inventory carryover is not likely to affect profits in many areas, however. A few retailers, especially in strikebound Rochester, are worried about carry-

over.

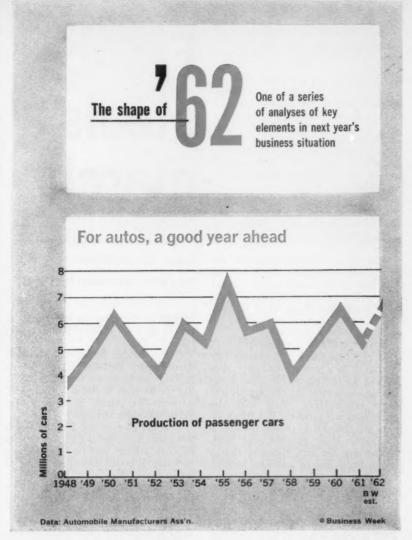
But most retailers report "normal" inventories. Several say they have stocked heavily in order to meet demand, but they feel sure they can sell their way out of it. Some retailers who bought lightly, as in Dallas and Chicago, say they are already reordering.

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Detroit sees 7-million as sure bet next year

With business conditions in its favor, the auto industry doesn't see how it can miss hitting the magic number in 1962. Some are even predicting a record year

The automobile industry figures it has some catching up to do, and 1962 is the year it will do it.

The way things look now, production of passenger cars in the U.S. in 1962 will be just about 7-million. That's roughly 1.5-million

more than in 1961 and would put the growth curve nearer where industry officials have been saying it ought to be (chart).

Based on any conditions you want to choose—such as population, income, state of the economy—auto forecasters for several years have been arguing that auto production and sales should be at least 6-million every year. Yet only once in the past five years has output exceeded that mark.

Sure thing. But the way the auto industry people see the shape of 1962, next year they can't miss. Sales of all cars should exceed 7-million; some industry optimists see a good chance of breaking the 1955 record of 7.2-million. Sales of U.S.-made cars should be about 6.7-million with import makes adding 350.000 or more.

Of course, in other years auto people felt they couldn't miss. Last year, for instance, auto executives in November were predicting that 1961 would be a boom year with auto sales as high as 7-million (ever since 1955, Detroit has a fixation on that number). But for the most

part, their predictions then were aimed at shoring up consumer confidence in an economy that was dragging.

Disappointment in '61. The sales of 1961 cars dropped steeply in December last year. January was worse, and the market didn't really come back until March. Last week sales of 1962 cars were rolling along at better than a sightseeing speed. Last-quarter sales apparently will be at least 1.6-million, which will be an all-time record. The total for 1961, though, still will be no better than 6-million—possibly a bit less—with cars from U. S. factories accounting for 5.6-million sales.

Even a record fourth quarter won't be able to offset the crushing blow last January dealt to the industry's hopes. That's what was behind the recent remark of one of the more conservative forecasters in Detroit when he defended his 1962 prediction by saying: "I will guarantee you that next year we won't have a January like this year."

I. Things look swell

Sales of U. S.-made cars in January, 1961, were only 369,000, lower even than in 1958. Thoroughly chastened, the industry cut back production severely. To compound the confusion, dealers had carried over into the new year higher than normal stocks of cars.

Production pattern. Historically, the auto industry in the first quarter produces cars at a rate higher than sales to have sufficient stocks for the second quarter when sales generally outrun production. But the outlook was so poor in the first quarter of this year that the industry produced less than 1.2-million cars—one of the

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lowest totals in its history. Then, third-quarter output was lowered by strikes.

This year's total of about 5.5-million cars is disappointing to the industry, but explainable and even expected a year ago this time.

This week, though, the forecasters in Detroit can't see any bumps ahead next year. The national economy is strong and still picking up. Consumer disposable income is high, and repayment of auto installment debt has been running ahead of new contracts since late last year. Used car prices are high and stocks low—meaning that new-car prospects should be able to get good trade-in allowances.

Dissenters speak up. There's a voice of dissent from the Survey Research Center at the University of Michigan. Eva Mueller, one of its directors, thinks car sales will be good, but not great. People, she says, are still worried about high unemployment and the international situation.

There is also the possibility of labor trouble in the steel industry. Steel contracts come up for negotiation next spring. The auto companies will certainly have enough steel to carry them through intermittent work stoppages and even a strike of moderate length. But a strike of any length would dampen consumer enthusiasm in a number of populous auto markets—Chicago, Detroit, and Pittsburgh, for example. A long strike, such as in 1959, again would shut down the auto plants.

Obviously, the auto forecasters are not counting on Pittsburgh being shut down as long as in 1959. That's why they think things look so good in 1962. In 1958, the recession clobbered Detroit. In 1959, it was the steel strike. In 1960, though sales and production both were above 6-million, they would have been better except for the business downturn in the fourth quarter.

Detroit sees none of that ahead next year. So brisk sales would have to be backed by high production. An output of around 7-million cars in 1962 would bring the five-year moving average of production up to 5.8-million. That's still not up to par, but at least the trend line would be moving in the right direction after pointing down for three years.

II. The magic number

Production of 7-million cars should mean black ink for all the manufacturers, even beleagured Chrysler Corp. and Studebaker-Packard Corp. Both companies hope that new products and new designs will give them greater shares of the market than they have been able to maintain this year—and both apparently have more stable management than in the past few years.

ment than in the past few years.

Profit outlook. However, 7-million is such an enormous number of cars that Chrysler and S-P possibly could edge into the black even with no greater share of the total production than they have had lately. For the first 10 months of this year, Chrysler produced less than 12% of the industry's cars; but its break-even point now is so low it could profit on only 10% of 7-million. S-P has been producing only 1.3% of industry output, but even that would be more than 90,000 of next year's expected total. When the company last turned a profit its break-even point was lower than that.

The outlook is even better for the prosperous companies, of course. All they have to do is hold their own and they will wind up with one of their most profitable years. That is, they will if next year turns out to be really as good as predicted.

Basic problem. Perhaps the biggest problem the auto industry has is that it is a mature industry producing an indispensable—but long-lasting—product. Its market should grow comfortably along with the gross national product. But its products are deferrable purchases—so it has years such as 1958 and 1961.

The way the auto industry thinks it can break out of confined growth is to try to create new excitement about automobiles. It did that with the 1960 models—the first time General Motors Corp. and Chrysler brought out the smaller cars. And 1962 is another test of how well Detroit can generate interest in its products.

New lures. Studebaker-Packard has a new and discretely designed Hawk; American Motors Corp., by changing its method of figuring, has label prices startlingly low compared to last year; Chrysler has a new size for Plymouth and Dodge; Chevrolet has an entirely new car (Chevy II). Ford has gone a little further. It has given both its Ford and Lincoln-Mercury Divs. a car in between the Falcon and Ford and Comet and Mercury.

Next spring or summer Ford will announce its Volkswagen-class car, the Cardinal, to be manufactured initially abroad and possibly assembled in this country. That, too, is expected to stir further interest in cars.

By this time, Detroit knows only too well that when people don't talk about automobiles they don't buy them—at least not fast enough to make a 7-million year.

Supersonic jets

France steals a march

Government-backed Mach 2 Super Caravelle jet may be in operation by 1968

France is stepping up its efforts to be the first with a supersonic transport (SST).

Sud-Aviation, builder of the medium-range, twin-jet Caravelle, is getting government financial backing for its plan to put a French SST version—the Mach 2 Super Caravelle—into the airlanes by 1968.

The decision of the French Cabinet could have jarring repercussions on U. S. airlines and on the airframe industry. It could also upset financial institutions that have lent airlines the money for subsonic jets in the belief that these planes would not be made obsolete for 10 or 12 years.

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Historic beat. If the Super Caravelle follows the time schedule laid out for it, the French will score a historic beat over the U.S. supersonic jet transport—a monumental gamble being taken not only by France but by the U.S. [BW Jun.10 '61,p46].

American SST projects, aiming at Mach 3 cruising speeds—or three times the speed of sound—aren't slated for airline use until the early 1970s. Thus the French, by building a less expensive SST with a lower Mach 2 cruising speed, hope to snatch a hefty slice of the SST world market before the faster U.S. models get off the ground. One West Coast airframe manufacturer, who is dead set against a U.S. Mach 2, admits that a successful Super Caravelle might stampede the airlines prematurely and amputate an important segment of the SST market.

Deal with British. Such arguments probably helped Georges Hereil, Sud's hard-driving president, to sell the government on his Super Cara-



Model of Super Caravelle shows needle-thin fuselage of proposed French supersonic jet. The plane will carry about 100 passengers, cruise at 1,450 mph.

velle. Then, too, Hereil—long an exponent of European airframe cooperation—reportedly reached a tacit agreement with British Aircraft Corp. under which BAC ditched its own 130-passenger Mach 2 SST in favor of sharing Super Caravelle development and production.

Thus Hereil was able to push the Super Caravelle as a European project in which France, along with its airframe industry, would play the leading role. And in Gaullist France, projects that promise prestige dividends—even such costly projects as an atomic striking force, a supersized ocean liner, and supersonic jet transports—get a sympathetic ear.

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If the British do come in, possibly to the extent of supplying the engines, the Super Caravelle will have a captive market in Air France, British Overseas Airways, British European Airways, and probably even the airlines of the British Commonwealth countries such as Trans Canada. In view of the current drive toward the establishment of a European Air Union in which Western European countries would pool schedules, equipment, and revenues, the captive market for the Super Caravelle could be considerably bigger than that.

U.S. decision holds. The importance of this is that the SST is going to take so many hundreds of millions of dollars to develop that a large market is essential if costs are ever to be recovered. The French, by coming in quickly with a relatively cheap Mach 2 plane ahead of the U.S. transport, may nip away enough of the market to give the U.S. industry second thoughts.

Nevertheless, the French decision to go for a Mach 2 plane was not unexpected here and does not alter this country's determination to wait and build a Mach 3 transport. The advantages of a plane capable of flying three times the speed of sound are wrapped up in having the most advanced, the biggest, the fastest, and the longest-range plane.

In addition, the Mach 3 will provide a base for further advances in size, speed, and range—whereas the Mach 2 will represent the upper limit of its field because it will be built of presently available aluminum alloys that will not be able to withstand temperatures much higher than those involved in Mach 2 flight. The Mach 3, which will be built of titanium or stainless steel or both, will represent a breakthrough in structural materials.

Time gap. As for the market impact, Federal Aviation Agency officials acknowledge that a Mach 2 plane would hurt the Mach 3 potential market if there is an appreciable gap in the time the two are available. But if there is a gap of only one or two years, FAA believes there will be a tendency to wait for the American plane.

for the American plane. In other words, the French, who

In other words, the French, who could be big winners with the Super Caravelle, could also be big losers if a Mach 3 American plane comes along too close behind it. Both FAA and the French talk of a sizable market for both types of plane—the Super Caravelle for medium ranges within the U.S. or Europe, and the American plane for long, over-water hops. However, the same type of argument was used to contend that the Lockheed Electra turboprop could compete with straight jets—and it hasn't turned out that way.

\$280-million venture. Unlike any

other airframe builder in the world, Sud had a letter of intent for three Super Caravelles to help the government make up its mind. When Hereil recently signed up Panair do Brasil for four subsonic Caravelles, he talked officials of the Brazilian carrier into signing an annex to the order in which Panair stated a need for three Super Caravelles by 1968. In return, Panair gets top delivery priority after Air France.

The upshot of Hereil's pitch was a Cabinet decision putting \$25-million in the 1962 budget to get the Super Caravelle project under way. The French officially estimate their SST venture will cost \$280-million, of which \$165-million is earmarked to be spent through 1965. Late in that year, Sud plans to fly the first Super Caravelle prototype. Initial airline deliveries will begin in early 1968 under present planning.

1968 under present planning.
Sud's four-engine Super Caravelle is not a big aircraft. Its estimated take-off weight, for example, will be about 198,000 lb., considerably less than the 300,000-lb. take-off weight of the subsonic 707. The Super Caravelle's needle-thin fuselage will carry from 100 to 108 passengers at cruising speeds up to Mach 2.2, or roughly 1,450 mph. This speed range would put Miami about one hour from New York—with top speed sustained only for 15 to 20 min. The rest of the flight would be spent either climbing to cruising altitude or letting down.

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U.S. teamwork. While the French are gearing up to produce their 1,450-mph. transport, the U.S. also is going ahead with plans for an American transport capable of flying 2,000 mph. FAA is exercising over-all program leadership, the Air Force is acting as contracting agent, and the National Aeronautics & Space Administration is providing technical support and basic research.

Nov. 30 is the deadline for industry to submit proposals for \$11-million worth of research to fill gaps in technical knowledge on propulsion, aerodynamics, subsystems, structures, and materials needed for supersonic flight. These projects will then be reviewed and weeded out, and the government will negotiate the price of the projects it wants.

This research by private industry will supplement that of NASA and the Air Force's Aeronautics Systems Div. The research and development work leading to a working design is expected to take one to two years. Completion of the design phase would lead to a prototype by 1966 and an operational model by 1970. Development of the Mach 3 jet is expected to cost about \$500-million.

U.S. stands pat on atom tests

It stands ready to negotiate with Russians at any time but bars any moratorium without controls. Underground tests will continue during talks with atmospheric shots a possibility

As test ban talks reopened this week in Geneva, the U.S. gave the world new evidence of where it stands on nuclear testing:

It turned a cold shoulder to a Soviet proposal for an immediate ban, without any inspection system, on all forms of nuclear testing—in the air, in outer space, under the sea, or underground. In fact, Administration officials let it be known that the U.S. will demand even more stringent provisions than before to prevent secret preparations for tests like those with which Russia ended the test moratorium.

It went ahead with final preparations for its first Project Gnome underground nuclear shot, now scheduled for Dec. 10. And to point up the contrast with the Russians secrecy, it staged a visiting day at the Carlsbad (N. M.) subterranean

site (pictures).

In the words of Arthur H. Dean, chief of the U.S. delegation at Geneva, the U.S. will "test and talk" until Russia agrees to sign an acceptable treaty banning tests. Pres. Kennedy has made the Administra-tion's position clear: U.S. tests will be kept underground as long as national security considerations permit, but the U.S. reserves the right to resume atmospheric testing whenever it is deemed vital.

New toughness. Washington reporters can sense a new toughness in the attitude of high officials on the test issue, toward both world and domestic opinion. There's a determination not to be caught off base again by a surprise series of tests like the last one, for which Russia must have prepared clandestinely

over six months or so.

Usually reliable industry sources continue to insist that the U.S. is already taking the steps that must precede atmospheric tests—the six months or so of elaborate electronic instrumentation [BW Nov.11'61,p31].

About six months from now, Nike Zeus, the country's chief hope as an anti-missile missile, will be ready for full-scale testing against an oncoming ICBM warhead. So next spring could be the time for the U.S. to resume atmospheric testing.

Meanwhile, Atomic Energy Commission spokesmen still refuse officially to say what AEC is finding in its analysis of the first three-quarters of the Soviet atmospheric tests. But you get the impression that, so far, there's no sign of any significant new gain in Russia's nuclear technology.

Skeptical. Russia's trial balloon for an immediate test ban, on the eve of the Geneva meeting, appears to justify the skepticism with which Dean and his aides went to the conference table this time. They showed none of the optimism with which they went into test ban talks last spring [BW May13'61,p42].

Washington is under no illusion about the Soviet motive for accepting the U.S.-British invitation for new talks. Russia could only be maneuvering to bring world pressure on the U.S. to halt its nuclear testing (now that Russia's atmospheric series was ended) or, failing in that aim, at least to give the U.S. a propaganda whipping.

Officials don't rule out the possibility, however, that in pursuit of these objectives Khrushchev might be willing to sign a U.S. version of a test ban or at least to make concessions. Such a relenting would be welcomed—but with caution.

Pres. Kennedy is steeling himself, insiders say, to resist clamor—do-mestic or international—for the U.S.

to halt testing.

Propaganda arena. When the Russians broke the three-year moratorium on nuclear tests last September, the U.S. pushed for resumption of test ban negotiations. This seemed to have propaganda value. The aim was to intensify world resentment

over Soviet tests, a resentment that had been somewhat tepid, and at the same time to negate criticism of U.S. resumption of tests.

It remains to be seen how widely the world takes this week's Russian test ban proposal at its face value, but in any event the U.S. hardly stands to lose by having helped initiate the new talks.

National security. More important than the propaganda aspect of the question, the Administration still believes that an effective test ban agreement would be in the security

interests of the U.S.

Both the Eisenhower and Kennedy Administrations have viewed such a treaty as a crucial step toward broader arms control, which would increase U.S. security in the nuclear age. They also have seen the same military advantages in a test

· A continuing nuclear arms race is both costly and dangerous.

• The U.S.S.R. still stands to lose

more from a nuclear test ban than the U.S. because of our lead in nuclear weaponry.

Recent Soviet behavior has weakened, but not invalidated, these arguments. Khrushchev's renewed rejection of any effective inspection system and his insistence that even a shadow of an inspection system be ruled by a triumvirate of East, West,



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Neutrons fired through 1,000-ft. vacuum tube (left) by nuclear blast will be timed, and embedded in metal wheels for study

and neutral representatives have just about ended any thought of general disarmament in the near future.

Nonetheless, Kennedy has decided we must still keep the door open to disarmament. While it looks farther away than ever, it remains the only rational proposition for reducing the cost and danger of maintaining the balance of terror.

Project Gnome. At Carlsbad, far from the scene of the diplomatic maneuvering, Project Gnome is going ahead as the first step in AEC's over-all Plowshare program (named for the peaceable uses of nuclear energy).

Primarily, AEC spokesmen say, the purpose of Gnome is to test the possibility of using it to produce electric power and radioisotopes, and of employing it as a research tool in the fields of physics and physical chemistry.

At the same time, AEC isn't trying to hide Defense Dept. interest in Gnome. When the five-kiloton bomb is set off in a chamber 1,200 ft. under the scraggy New Mexico desert, measuring instruments will go into action, feeding all kinds of measurements and other data to surface recorders through cables.

The Gnome shot will be set off in a salt formation, while all previous U.S. underground nuclear shots have been under a stratified volcanic rock known as "tuff." So this gives government scientists their first chance to study how a nuclear explosion behaves in a different medium.

Military scientists will also be taking seismic readings from as far away as Alaska. There's talk that the military will be testing a new technique for detecting the qualitative difference between a natural and a manmade underground disturbance at several thousand miles.

Military value. If it turns out that our scientists are able to identify as small a shot as five kilotons, the U.S. may have an approach worth discussing with the Russians in view of the problems of monitoring underground tests. A point of Russia's latest proposal for an immediate test ban on all types of tests is that there is now no sure way to detect underground blasts.

Findings from the Gnome shot will also be used in the continuing effort of U.S. scientists to design cheaper, cleaner nuclear warheads. And perhaps the most important military interest in the Gnome firing will be in the neutron experiments tied in with it. AEC and the Defense Dept. want much more information about the neutron's place and behavior in the fission process. And this would also be a first step in the development of a neutron bomb.



Isotope experiments will use this sequence sampler to find out what isotopes underground blast can produce.



The Twist is performed by patrons of Peppermint Lounge in New York. Advanced students do a variation called "The Fly"



Twist champion Chubby Checker (seated) confers with agent Henry Colt in Philadelphia record company office. Checker was chicken plucker when discovered by Colt.



Checker rehearses with singer Bobby Rydell for appearance on Dick Clark show, American Bandstand. Checker got his start—and name, Chubby—on Clark show in 1960.

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'Twist' wiggles into big time

Latest dance fad is catching the fancy of promotion-minded companies that want to cash in on the craze by tying their products to the name

It may be the hula hoop, Elvis Presley, or the latest primitive dance—the Twist. It doesn't matter which. Americans grab at new fads so greedily that promotion-minded companies regularly parlay them into big money. For example, more than \$45-million worth of products, including half a million tubes of lipstick bearing the name or image of Elvin Presley, were sold in the past five years.

This season it's the Twist, a violent exercise in hip gyration that already has put many grownups—who have taken to it as avidly as teenagers—to bed with backtrouble. Its champion is Chubby Checker (pictures), a 20-year-old song-and-dance man from Philadelphia, who is just beginning to cash in on the fad.

In the act. Actually, the Twist and Checker have been around for two years or so, but it was only two months ago that cafe society was photographed doing the dance at New York's Peppermint Lounge. The publicity that followed gave the Twist an international passport and now everybody is horning in on the act.

Formerly sedate East Side supper clubs are ballyhooing Twist acts. In Brooklyn, N. Y., a maker of spaghetti has just introduced a line called the Twist. In Miami, a dance palace agreed to pay royalties to use the name Peppermint Lounge. A frankfurter manufacturer and a distiller are using the Twist to promote their products.

Chief proponent. It is Checker, however, whose name is closely associated with the Twist through nightclub appearances, TV spots, and newspaper advertising. On the nightclub circuit, for example, he already gets \$2,500 a performance, where he once got \$100. A week's engagement brings him \$10,000. He's also on the bandwagon with a movie, Twist Around the Clock, and three records.

Big promoter. But the big cash-in for everybody probably will come through Henry G. Saperstein, who, as president of Los Angeles' Television Personalities, Inc., is a "merchandiser of personalities." In the past five years, the U.S. consumer has spent \$100-million for products that Saperstein's company has tied to such names as Wyatt Earp, Debbie Reynolds, Lassie, the Three Stooges, and Elvis Presley.

Saperstein's technique is to get exclusive merchandising and promotion rights to a name—as he has from Checker—and split money re-



Checker and Rydell sing on American Bandstand show. Checker, a former song-and-dance man, has lost more than 30 lb. since he began to concentrate on the Twist.



Fans, mainly teenagers, rush performers for autographs after American Bandstand show. Checker will soon make a European tour to export the newest bit of Americana.

alized from the deal "down the middle." Companies that use the name pay either a flat fee or royalties from 3% to 10%, depending on the kind and price of the product.

Currently, Saperstein already has signed up manufacturers of skirts, blouses, and other apparel to use the Chubby Checker Twist franchise. He already has signed up Melville Shoe Corp. to promote Thom McAn "Twister" shoes. Negotiations are also going on for a network TV special, "For Twisters Only," in January or February. Checker and Saperstein are co-producing 10 oneminute Twist instruction films.

Restrictions. Saperstein insists on approval rights in every phase of a promotion—the product, its labeling, packaging, and even the master carton. He also demands that the price of a product not be exorbitant. The promotion price, says Saperstein, has to come out of the advertising budget, not out of the value of the

There's a limit, too, on the number of contracts he will let out. In the case of Checker, it is 20. The reason is diminishing returns. "We don't take in much more money on 50 products," he says, "than on 20. And there's just so much space available at a counter for Chubby Checker merchandise."

New market. Saperstein knows that teenagers were doing the Twist two years ago. Now adults-who were cowed by rock'n'roll-are taking up the new dance. So he feels that with adults in the marketing picture, he can go further afield with Checker merchandise, and plans to concentrate on products that will appeal to the college level and to young adults. This is one reason apparel manufacturers are being sought out.

Pattern forms. Saperstein isn't counting his chickens yet. As he tells it, trying to sell products bearing a name or image follows a pattern. If a fad catches on, sales run up fast when products are introduced. In four or five months, they fall off, after which they either level off or start to dive. "If sales seek a level, you know you have a hit,'

Saperstein expects the Checker promotion to peak next spring, seek a level in late summer or early fall. "No one," he says now, "would try to predict how far it will go. After all, everyone said Elvis was a flash

in the pan.

How much will Saperstein himself make out of the Checker and Twist promotion? "Lots," is his only

How much will Checker make? The answer is about the same.

Mercury orbital shot scores on precision

Although orbiting of chimp did not come off as originally planned, space capsule's perfect response to change in orders demonstrated its flexibility

An engineer's dream shot. That was what scientists were saying during the first three hours of the flight of Mercury-Atlas 5-the rocket satellite that put Enos, the chimp, into earth orbit from Cape Canaveral this

For almost two orbits, the M-A-5 performed with precision. Its Atlas booster, burning within a second or two of its scheduled 6-min. firing time, thrust the Mercury capsule to an orbital speed of 17,500 mph., and dropped off cleanly as planned. On command, the capsule slipped neatly into a 99-mi. (at perigee) to 145-mi. (at apogee) orbit.

Alert passenger. The Mercury's live passenger, a five-year-old male chimpanzee trained to perform four separate tasks on a 58-min. sequence, performed accurately and with complete normalcy. There was nothing to indicate that he was suffering any medical ill-effects from his weightless ride. Special psychomotor apparatus showed no unusual deviations from what similar apparatus had recorded about Enos' reasoning power while on the ground.

Difficulties. But as M-A-5 neared the Pacific Coast, near the end of its second orbit, telemetering equipment reported warnings that an increase in the capsule's inverter temperature and its attitude control action made a third orbit questionable. There are three invertersused to convert direct current to alternating current—in the capsule's electrical system. Two are used when the capsule is in flight; a third is a standby. Heating up of one inverter would probably not have caused officials to halt the flight after only two orbits. But, in addition, the capsule's tiny hydrogen peroxide jets were not controlling its pitch, roll, and yaw properly. The combination of the two difficulties could have meant real trouble.

Immediately, command headquarters radioed the high-flying M-A-5 to reset its clocks so that its reverse (retro) rockets would fire. From Point Arguello, Calif., the command was sent in duplicate-just in case the Canaveral signal was not

At 1:08 p.m. EST, 3 hr. and 10 min. after it had left the Cape, the M-A-5's reverse rockets fired, slowing it down to a suitable reentry speed. At 1:38, a parachute eased the capsule down some 220 mi. south of Bermuda, and by 2:53, Enos, alive and apparently none the worse for wear, was hauled aboard the destroyer Stormes.

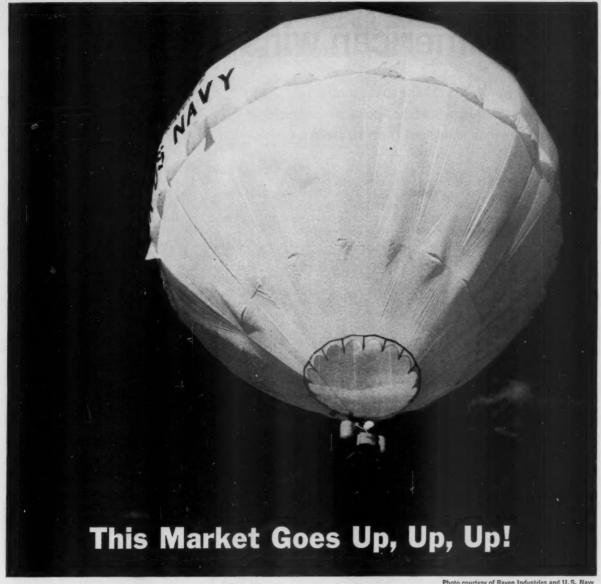
Controls perfect. While the M-A-5 did not complete its three-orbit trip as originally planned, its precise response to a split-second change in orders speaks well for the system's

electronic flexibility.

The successful reentry, according to NASA observers, also indicates that the Mercury is well able to stand the 2,500F temperatures that build up on its heat shield and that its quick-release hatch (the hatch that blew and caused the M-A-3 capsule carrying Virgil Grissom to sink) is in good working order.

There were 78 heat measuring instruments inside the M-A-5. All, reportedly, indicated that a man could live within the capsule without undue discomfort. Minor modifications made in the capsule's emergency oxygen system since its last flight apparently have worked

Next shot. NASA will need time to digest all the data of the M-A-5 flight before it decides when the orbital shot, carrying Lt. Col. John H. Glenn, Jr., will be made. But, on the basis of preliminary analysis, spokesmen at Cape Canaveral say they see no reason why the next shot (even if it's manned) should be delayed much past late December or early January. If Glenn had been riding in M-A-5, he probably could have replaced its hot inverter and manually corrected its attitude control with little trouble.



LP-Gas is such a versatile fuel that new uses for it arise regularly-such as heating air for the experimental Navy balloon above. It is already high in demand for cooking, heating, air conditioning and scores of other home and commercial uses. Small wonder that among petroleum products, LP-Gas boasts one of the best sales surges-7 per cent last year alone.

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Most LP-Gas is produced by wringing out natural gas before it passes into transmission lines. Sinclair Oil & Gas Company owns fully, or in part, 38 gas products

plants which process its natural gas output to recover the valuable LP-Gas. It markets the fuel under the Sinclair "Truflame" trademark through distributors in 38 states, and last year rang up a sales gain double that of the industry.

As its natural gas output rises, Sinclair is adding gas processing capacity and extending LP-Gas distribution. By expanding its endeavors in growing markets, Sinclair concentrates on more sales of the most profitable products.

ASTM-Sinclair salutes the American Society for Testing and Materials. Founded in 1898, ASTM promotes research to develop specifications and test methods which aid all industries in maintaining product quality. The scientific work of its 10,000 members is multiplied many-fold to benefit all consumers. Its D-2 committee, which deals with petroleum products, recently completed specifications for LP-Gas which recognize this fuel's expanding uses.



SINCLAIR OIL CORPORATION . 600 FIFTH AVENUE . NEW YORK 20, N. Y.

North American wins in space

Company gets what looks like the space contract of the decade. Its development of the Apollo moon vehicle may run to more than \$1-billion in next 10 years

North American Aviation, Inc., this week won what could be the biggest contract for space work in this decade. The National Aeronautics & Space Administration picked North American, over other strong contenders, as prime contractor for the three-

man Apollo spacecraft.

NASA hopes North American will be able to develop this vehicle to send a team of U. S. astronauts to the moon and back by 1967. In the early stages, this will be up to the company's 7,800-man Space & Information Systems Div.'s staff. This rocket and space development team has been built around the men who developed the experimental X-15 rocket plane.

North American's initial contract will run around \$400-million, on a basis of cost plus fixed fee. Ultimately, it could far exceed \$1-billion. Most experts expect the bill for the lunar project, of which Apollo is the kingpin, to add up to nearly \$20-

billion by 1970.

Tops in space. The Apollo contract pushes North American further in front among U.S. companies engaged in space work [BW Aug.19'61, p78]. Its Rocketdyne Div. already had led the way to top rank with its development of the huge F-1 engine that produces 1.5-million lb. of thrust. This is the nation's largest single space engine using liquid fuel.

A cluster of four F-1s will make up the Saturn C-4 booster that eventually sends the lunar team on its way. North American is also developing the liquid-hydrogen J-2 rocket engine, with about 200,000 lb. of thrust, that will be used as upper-stage power in the civilian space program.

Against stiff competition. North American had to buck stiff competition to win the Apollo award. Four other bids were filed with NASA on

Oct. 9:

Martin-Marietta Corp., by itself, as was the case with North American.

Astronautics Div. of General Dynamics Corp., with Avco Corp.

 General Electric Co., teamed with Douglas Aircraft Co., Inc., Grumman Aircraft Engineering Corp., and Space Technology Laboratories, Inc.

McDonnell Aircraft Corp.,
 teamed with Lockheed Aircraft Corp.,
 Hughes Aircraft Co.,
 and

Ling-Temco-Vought, Inc.

With the stakes so high, all the bidders were sweating out the time till mid-December, when most people expected the award to be made. At various times, every bidder except North American was rumored to hold the inside track, and GE gave indications of being particularly confident. The timing of the award was stepped up when techni-cal evaluation of the bids was completed on Friday of last week, and the decision progressed rapidly after that. Administrator James E. Webb got White House approval on Tuesday, a day when by coincidence North American officials were in town to see Pres. Kennedy present three X-15 pilots with Harmon Trophy awards.

Basis of choice. NASA had specified that it retained the right to change the prime contractor's list of proposed chief subcontractors. In North American's case, these included AiResearch Mfg. Co. Div. of Garrett Corp., Radioplane Div. of Northrop Corp., Aeronautical Div. of Minneapolis-Honeywell Regulator Co., and Collins Radio Co.

Credit for nailing down the contract is being given largely to NASA's respect for the company's Space & Information Systems Div., created less than a year ago from a former missile division, and with the advisory help it has lined up. SISD's experience with the X-15 gives it much of the information it will need to build the Apollo.

Makeup of Apollo. The Apollo spacecraft is planned in three modular units: the command center, which will house the three-man crew and a bank of controls much like those in the Mercury capsule; a package of fuel, electrical power supplies, and propulsion units needed for the take-off from the moon on the return trip to earth, and a third unit containing decelerating rockets to lower the craft to the moon's surface.

North American's award is for the first two units: the command center and the logistic unit. A separate contract will be awarded by NASA in the next six months.

The present contract calls for North American to build 10 or 15 capsules. Before production models are started, a mockup capsule is due to be completed late next year. Capsules will consist of a double shell of honeycombed structure of aluminum or stainless steel.

Men in charge. Over-all direction of Project Apollo, including both the spacecraft and the launch vehicle, will be handled for NASA by D. Brainerd Holmes, newly appointed director of manned space flight. Robert R. Gilruth, director of NASA's manned spacecraft center, to be established near Houston, will manage the Apollo spacecraft development. And at North American, Harrison A. Storms, Jr., president of SISD, and John W. Paup, general manager of the Apollo Div., will direct the program.

Preliminary qualifying rounds for Apollo call for sending spacecraft into orbit around the earth for testing and for training the crew. The first of these flights is scheduled for

1964.

The next step calls for sending a manned flight around the moon and back to check on guidance and other performance. The final step, in 1967-69, will be the actual landing on the moon and return trip.

One more big job. One more big contract in NASA's moon program remains to be parceled out. That is for an advanced version of the Saturn booster, designated S-1B, to produce 6-million-lb. thrust. S-1B will be a cluster of four of North American's F-1 engines, enough to boost the Apollo ship into a close earth orbit, where it will be joined by a second payload of fuel and then launched toward the moon. This is NASA's highly touted ren-

This is NASA's highly touted rendezvous and parking orbit technique, an alternative to using one big 12-million-lb.-thrust Nova vehicle for a direct Apollo shot at the

moor

PROTECTION IN DEPTH

How it helps cut compensation costs



Has dermatitis cropped up in your plant?

A thousand new industrial uses of caustics, acids and solvents make dermatitis today's No. 1 occupational disease. Often it causes lengthy disabilities, disrupts plant operations, boosts compensation insurance rates.

To combat this growing problem, Liberty Mutual helps policyholders set up effective control measures. Liberty's industrial hygienists, for example, use a "black light" inspection box to dramatize the importance of thorough personal cleanliness.

They also point out ways of improving ventilation and

preventing skin contact with highly toxic materials.

Industrial hygiene is but one of the many fields of knowledge available to policyholders as part of Liberty's protection in depth. To help policyholders reduce loss, Liberty also maintains two rehabilitation centers and a research center, staffs 400 safety engineers and retains the services of scores of leading orthopedic surgeons.

To learn more about Liberty's protection in depth and how it can cut your compensation costs, just call the Liberty Mutual office nearest you.

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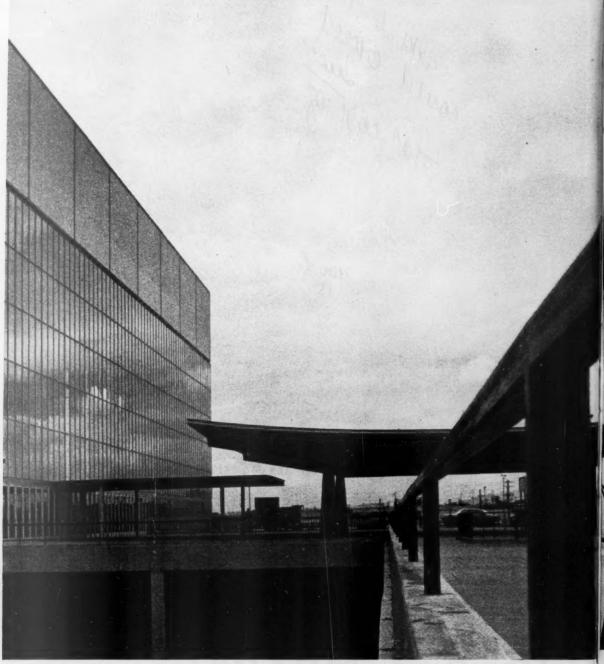
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It's Trane for the biga



Great hall of glass is appearance of Portland's new multi-purpose Memorial Coliseum. Trane heating and air conditioning equipment provides year around comfort—and even freezes the skating rink ice. Architects: Skidmore, Owings and Merrill. Consulting engineers: J. Donald Kroeker and Associates.

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gair conditioning jobs!



Largest building in world for single occupancy under private ownership. Equitable Life Assurance Society Building in New York provides complete air conditioning through 6139 UniTrane units. Architects: Skidmore, Owings and Merrill. Consulting engineers: Meyer, Strong and Jones.

Are you planning an investment in air conditioning? Here's why you'll find it good business to talk to Trane.

Today's total air conditioning problems require specialists in many fields. With Trane, you can get all your answers from a single source. For Trane is one of the very few manufacturing engineers with depth of experience in all four related fields—air conditioning, heating, ventilating, and heat transfer.

That's why Trane equipment has been called upon to air condition everything from sky-scrapers to jet planes to homes and subway trains. That's why more and more major, new buildings in the past 5 years have specified Trane!

Constant research and testing

Modern conditioning of air is a complex science—and Trane has a multi-million-dollar "House of Weather Magic" Laboratory devoted exclusively to this science of heat exchange. Here constant research and testing result in superior equipment and systems to handle any air condition.

It will pay you to talk to Trane before you invest in air conditioning, heating, ventilating or heat transfer equipment—for any purpose in any type of building. Call your nearby Trane Sales Office; or write the Trane Company, La Crosse, Wisconsin.

Talk to the men who know all 4 related fields

Air conditioning. Want to air condition a 70-story skyscraper or add central air conditioning to your home? There's TRANE equipment to create the climate you want.

Heating. A problem with high factory ceilings—or with long, exposed corridors? There's TRANE equipment to solve it. Ventilating. Want to keep school children comfortable and draft-free in today's glass-walled schoolrooms—or need to remove fumes from a processing room? Turn to Trans.

Heat transfer. Want to purify gases at 300 degrees below zero? Trane has the answer, experience, equipment!



Manufacturing engineers of air conditioning, heating, ventilating and heat transfer equipment

GAO rejects 'Buy American' protest on contract for huge turbine

The General Accounting Office this week upheld the tentative award of a \$17.8-million hydro turbine contract to Baldwin-Lima-Hamilton Corp. The award had been challenged by Allis-Chalmers Mfg. Co. under the terms of the Buy American Act. The GAO ruling made these points:

• Under the law a bid can qualify for the 6% preference as a domestic bid if no more than half of the product is made abroad. GAO said the law deliberately leaves it up to the Executive Branch to determine what

constitutes a domestic bid.

• GAO upheld Baldwin-Lima-Hamilton's claim that only 42% of the work would be done abroad; Allis-Chalmers claimed that the figure would top 50%. But the agency did say that future bids should detail more precisely the foreign-produced components.

• The agency said B-L-H's bid would have won even if it had been rated as "foreign," since it was 14%

lower than that of Allis-Chalmers.

A-C Vice-Pres. B. E. Smith expressed disappointment at the ruling, and said that "probably this will force Allis-Chalmers to take another look at its present policy of using 100% domestic labor." However, Smith said he doubted the complaint would be pushed further.

Antitrusters lose in move to sever merger that formed Ling-Temco-Vought

The merger of Ling-Temco Electronics, Inc., and Chance Vought Corp. to form Ling-Temco-Vought, Inc., was upheld last week by Federal Judge Joe E. Estes in Dallas. The judge ruled that the Justice Dept. antitrusters had failed to prove their charge that the merger might substantially lessen competition in the aerospace industry.

Much of the government's argument seeking to force divestiture was based on statements by the former management of Chance Vought. The government said a decision on whether to appeal would not be made till later. Industry gossip suggests that the antitrusters did not really want to win the case, but filed it for the

sake of appearances.

Justice Dept. attacks Ford deal for Electric Autolite

The Justice Dept. antitrusters this week completed a sweep of the automotive Big Three when they sought to nullify Ford Motor Co.'s deal with Electric Autolite Co. last spring.

Chrysler Corp. has already been charged with illegal pressure on dealers, as is General Motors, which also faces three other suits of varying age. Last April, Ford bought from Electric Autolite for about \$28-million a spark plug plant, a battery plant, rights to the Autolite trademark, and some sales facilities. Now the antitrusters want Ford to divest itself of the lot, charging that the deal may lessen competition in the auto parts, battery, and spark plug businesses.

Ford's general counsel immediately denied that the

deal in any way violated the Clayton Act.

Northeast Airlines affair points up war of Hughes Tool, TWA management

The falling out between Hughes Tool Co., owner of 78% of Trans World Airlines' common stock, and the airline's management grew more rancorous and com-

plicated this week.

A correspondence between R. M. Holliday, vice-president of Toolco and a TWA director, and Charles Tillinghast, president of TWA, was made public—all in connection with a related case involving Northeast Airlines. Toolco has been providing emergency financial assistance to hard pressed Northeast with a view toward acquiring control [BW Nov.18'61,p28]. But TWA had previously brought suit against Toolco, charging it with causing delays in buying jets, arranging financing, and selling obsolete piston equipment [BW Aug.12'61, p29].

Presumably in an effort to clear its reputation before the Civil Aeronautics Board, which must approve the Toolco acquisition of Northeast, Holliday submitted evidence designed to show that Toolco was not responsible for the huge losses TWA has piled up—that these occurred after control was placed in a voting trust. In reply, Tillinghast told Holliday that the airline lost \$16.7-million in the first quarter of 1961 while Toolco was still in control, and that the airline's present problems are, at least in essence, a continuation of

this trend.

Labor-Management Advisory Committee divided on automation report

The difficulty of meshing the viewpoints of management and labor was evident this week at the sixth session of the President's 21-member Labor-Management Advisory Committee. What had been expected to produce the first voting on the critical subject of coping with automation turned into a day-long debate with the final report put off until the next meeting, Jan. 11 and 12.

The deferment was caused by differing viewpoints on a subcommittee's draft report, although Labor Secy. Arthur J. Goldberg, the committee chairman, said he thought a "large measure of consensus" would be achieved, with some dissenting views. The report is to contain final recommendations for public and private action to cope with the effects of automation.

Washington outlook BW

December 2, 1961

Jostling begins for special trade treatment

Powerful industry groups are starting a rush to Washington, hoping for special treatment in any new trade policy.

The rush already is causing something of a jam in offices of the Commerce Dept. It will intensify in the wake of Pres. Kennedy's statement this week that he tentatively has decided to seek trade legislation along new and more liberal lines.

The industry groups are inspired by prospects of special treatment being dangled by the Administration before producers of cotton textiles.

Even textiles aren't sure what they ultimately will get.

But other industries smell concessions in the air if they make a strong pitch.

Producers of aluminum, copper, rubber, fertilizer, oil, coal, wool textiles, and electrical machinery are among those testing the climate.

All of these don't hope for out-right tariff protection.

Some are angling for import quotas or for a greater share of the foreign aid market.

Textiles are hoping for some sort of penalty on imports to offset the $8\frac{1}{2}e$ export subsidy on U.S. cotton.

Aluminum makers are talking vaguely about dividing the U.S. market to check further inroads by foreign producers. This so intrigues officials that Eugene P. Foley, number two man in Commerce for Domestic Affairs, was sent scurrying to Pittsburgh this week to get more details.

Others can't match textile vote power

Most industry groups can't expect to get concessions as important as those being studied for cotton textiles. The reason is political.

The Administration's goal next year is to push a new trade act through Congress. It will make only the deals and pass out only the favors it decides are needed to win—no more.

It's a hardboiled, nose-counting approach.

Textiles is by far the largest industry in the traditionally protectionist wing of business. White House strategists figure half of the protectionist votes in Congress are textile votes.

Some Kennedy advisers figure that if this one industry could be softened with special handling, a liberalized trade bill would win with votes to spare.

Note the weapon Kennedy holds.

He has ordered a study of ways to offset the $8\frac{1}{2}\phi$ handicap U.S. textile makers are under in buying domestic cotton. At his press conference this week, he indicated a friendly interest in the idea.

Conservatives hit by death and retirement The death of Sen. Styles Bridges (R-N. H.) weakens GOP conservatives in Congress. He left the limelight to Sen. Barry Goldwater and others in the party's rightwing. Behind the scenes, Bridges was a powerful influence as chairman of the Republican Policy Committee in the Senate.

Bridges' successor as chairman seems likely to be Sen. Leverett Saltonstall of Massachusetts. Saltonstall will be more liberal on some issues and by nature may be less inclined than Bridges to battle hard for party advantage.

GOP conservatives may try to push Sen. Bourke B. Hickenlooper of Iowa as Policy Committee chairman. But if Saltonstall wants the job he probably can have it.

WINTERSTELL UP WILLFRIEND LIBRINGE

Washington outlook continued

Reserve policy faces critical study

A fundamental revamping of military manpower policy is likely to stem from Kennedy's decision to increase the regular Army by two divisions.

The call-up of reservists in answer to the Berlin crisis has been marred by insufficient materiel, poorly prepared quarters, and by an outbreak of protests from some of the men called. It's being fanned into a political issue for use against Kennedy next year.

The experience is a black eye for the "ready reserve" concept. Kennedy's military adviser, Gen. Maxwell Taylor, and other military men have long been skeptical of the reserve idea. The swing now apparently will be to more professional, full-time soldiers.

Democrats glad to avoid showdown in Illinois Democrats expect to lose one Illinois Congressional seat in next year's election and maybe as many as three—but party leaders are happy just the same. At least the prospect of losing all 14 of the party's present Illinois seats doesn't haunt them any more.

The Illinois legislature removed this fear last week by approving a reapportionment plan. Without such a plan, candidates would have run at-large next year with one party or the other taking all of the 24 seats. Democrats privately didn't like their chances in such a contest.

Democrats are cockier about Minnesota, still in the throes of a reapportionment fight. Sen. Hubert H. Humphrey has told Democratic leaders their party could win an at-large contest in that state, picking up five seats now held by Republicans.

Dairy price supports in budget vise New signs of budget jitters are coming from Kennedy's farm policymakers.

Officials, who this year passed out higher price supports to farmers, now have to cut costs on orders from the White House. An official of the Agriculture Dept., in a no-quote briefing, has hinted that dairy farmers next year may either have to accept rigid production controls or give up their newly increased price supports.

The prospects of doing either in an election year will create a storm among politicians. There is no sign yet that Kennedy is relenting in his orders to halt the rise of farm subsidies, which already have soared \$1-billion over the budget.

5% joblessness faces political test next year A level of 5% unemployment may be on its way to political respectability. Right after World War II, 3% was considered the highest rate of joblessness a politician could accept without fear of being punished by the voters.

Political folklore raised this to 4% during the 1948-52 term of Pres. Harry Truman.

Kennedy has accepted 4% as tolerable, though his economic advisers always add they would like to see it lower.

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Even the most optimistic among Kennedy's aides don't expect the rate to be lower than 5% at the time of the Congressional election next November.

Will Democratic orators apologize for 5%-plus after being in office almost two years? Or will they defend it on the grounds that it's a lot better than the almost 7% they inherited from Eisenhower?

In either case, if unemployment fails to excite much voter resentment next year, politicians are going to live a lot easier with a 5% jobless rate than they ever thought they could.

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Megalopolis: tomorrow's society

New Twentieth Century Fund study sees U. S. Northeast as the cradle of a new order of urbanized society

This urban stretch has one-tenth of world's manufacturing capacity and one-fifth of its big business management

But it faces a major challenge in devising solutions to the problems caused by growth and decentralization

To most of the 37-million people who inhabit the urban stretch from southern New Hampshire to northern Virginia, life is full of aggravation. Housing is too expensive or too far from work, cars can't be driven or parked easily, and a major effort is required to take advantage of the greater leisure time that our era has attained.

To the French geographer Jean Gottmann (picture), however, this urban stretch represents much more. Despite its frustrations, he sees this 600-mile belt as the cradle of a new order of civilization: tomorrow's urban society.

After a four-year, \$180,000 study financed by the Twentieth Century Fund, Gottmann this week published his findings in a book, Megalopolis: The Urbanized Northeastern Seaboard of the United States.

Hub of civilization. Gottmann quickly explains why the seaboard's residents tolerate its costs and inconveniences and why thousands move to it every year from other parts of the nation and the world: The region offers them, collectively, the greatest wealth, the best housing, and the finest education shared by any population group of such size in the world.

Though Gottmann's main concern was to define what makes the area tick, his 777 pages are crammed with statistics illustrating the unique character of the region.

Statistics. With 1.8% of the nation's land area, it has one-fifth of its population. It has one-tenth of the world's manufacturing capacity, one-fifth of the world's big business management. Its banks contain over 35% of the nation's bank deposits, its wholesalers do one-third of the nation's wholesale business. In addition, the area acts as a major incu-

bator of new manufacturing processes and products.

Despite its average density of almost 700 persons per square mile—a statistic that lends support to the visitor's initial impression of one continuous city from Boston to Washington—Gottmann found that almost half of the area consists of woodlands. (The woods are loaded, he noted wryly, with an overabundance of deer that he blames on the poor marksmanship and laziness of urban hunters.)

Moreover, the region accounts, surprisingly, for 5% of the value of the nation's farm products and one of its counties, Lancaster in Pennsylvania, is one of the nation's richest farm counties. The high land and operating costs and competition put a premium on farmers' efficiency, but those who survive are rewarded by the opportunity to supply the world's richest market with everything from staples such as meat and milk to exotic vegetables for Chinese restau-

An old dream. For an area that so dominates the world outside and so well caters to its own immense needs, Gottmann thought the name of Megalopolis would be appropriate. The Greeks had given the name to a community in the Peloponnesus that they hoped to build into a great city-state. Their hopes died but, in the American Northeast, Gottmann asserts, "in our times, the dream of those ancient Greeks has come true."

The value of Gottmann's work derives from the fact that he views this region in a new and interesting perspective. But though he brings together a huge amount of data for the area, much of it serves merely to support what has already been known through other studies. To some extent, the work parallels the



Jean Gottmann says U.S. Northeast has realized Greek dream of great city-state.

New York Metropolitan Region Study [BW Oct.8'60,p120]. Because the New York region is the most important segment of Megalopolis. Gottmann's scholarship was bound to cover much of the same ground.

Urban laboratory. Gottmann's major thesis is that the whole world is becoming more urbanized and that, therefore, Megalopolis is serving as a laboratory for the urban evolution to which all the world will look. That Megalopolis should fulfill such a role is hardly surprising because it is the most advanced form of urbanization; that Megalopolis should be so advanced—con-

Biggest mapping job helps industry in **KENTUCKY!**



AS YOU read this, 58 expert geologists are working in Kentucky on the greatest mapping project ever undertaken in the U.S.—detailed geological mapping of this entire State. Already, masses of information resulting from this joint program (Kentucky and the U.S. Geological Survey) are proving of invaluable help to private industry.

763 maps are projected, giving complete data on the State's surface geology, from which the location and extent of mineral, gas, oil deposits and water resources can be inferred. This program fits hand-in-glove with Kentucky's new Oil and Gas Conservation Act which stimulates greater exploration and development of these valuable resources.

But there's much more to Kentucky's great new programs for improving her industrial opportunities. Early in 1960, Governor Combs and Lt. Governor Wyatt announced a 25-point plan of far-reaching activities. Today, every one of these projected programs has been actually launched! Get all the facts for your company. Write Lt. Governor Wilson W. Wyatt, or E. B. Kennedy, Commissioner, Department of Economic Development, 300 Capitol Building, Frankfort, Ky.

KENTUCKY offers many competitive advantages...

LOCATION -68.4% of Nation's population within 500 mi., 38.1% within 300 mi., 21% within 200 mi.

FINANCING PLANS — more industrial financing plans (five) than any other State in the Nation.

TRANSPORTATION FACILITIES — served by 4,000 mi. of track, 20,000 mi. of State-maintained highways, more miles of navigable rivers than any other State, seven major airlines.

POWER CAPACITY - sufficient public and private reserve capacity readily available to supply the needs of any new or expanding industry.

WATER RESOURCES—abundant ground and surface water to fulfill all your present and future needs.

LABOR FORCE - survey of Kentucky's 1,000 largest manufacturers shows 94% consider their labor productivity from average to very high.

COAL RESERVES — third-largest bituminous coal-producing State with two large, widely separated fields.

NATURAL GAS - more than 90 of 120 counties are served by natural gas.

RAW MATERIALS — Natural: coal, natural gas, oil, limestone, silica sand, fluorspar, ball and fire clay, timber. Manufactured: chemicals, metals, plastics, coke, synthetic rubber, to name only a very few.

RESEARCH FACILITIES — new Spindletop research facility (complemented by Kentucky's Agricultural Science Center) is a three-way partnership of the State, University of Kentucky and private industry. tinuing to prosper where ancient cities lost their momentum—he attributes to the unique drive of the people of Megalopolis that is superimposed on the American faith in expanding consumption.

This drive has been nourished by the region's flavoring of commerce. Both commerce and farming comprised the foundation on which the region built. Later manufacturing dislodged farming as the industrial revolution took hold and spawned cities across the landscape. But of these three economic supports, commerce was the most important as a builder of the region. That's because, Gottmann feels, New York and Yankee traders took a dynamic rather than a mere "counting house" concept of commerce—and were always ready to jump at new opportunities.

Economic hinge. In their conduct of commerce, they built Megalopolis into an "economic hinge." From the early days of bringing in supplies from the Old World to the New to today's financing of economic development of the most underdeveloped sections of Africa and Asia, they have operated on an international scale. At the same time, they undertook to develop the vast hinterland of the U.S. and, what's more, they maintained their control of the domestic economy as Manifest Destiny moved the center of population toward the distant Pacific shore.

During recent times, commerce has manifested itself in the trend to office work. In fact, white-collar workers have come to comprise a majority of the non-farm labor force. On the one hand, new technological needs, transportation networks, and the redistribution of the population have sucked manufacturing plants and warehouses out of central cities into suburbs and the rural hinterland. On the other, the growth of office jobs—with the dependence on face-to-face contact—has brought increasing concentration in the cities.

To Gottmann, it could not be otherwise. "While the flow of materials from production to consumption becomes more and more independent of the business districts of the central cities," Gottmann observes, "the management of the swelling flow of materials requires increasing employment and activity in the hubs of commerce."

Population shift. The outward flow of manufacturing and distribution jobs has attracted thousands of families to move from city to suburbs. Their move, Gottmann notes, has been encouraged by the American's mobility, the ease with which he can buy a home, and his desire to take

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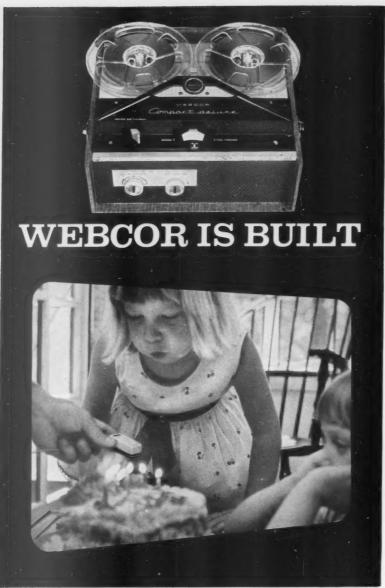
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advantage of the latest innovations to be found in suburban homes. Another factor has been the inflow into the cities of people whom, for one reason or another, he finds "undesirable."

But, at the same time, thousands of others have moved into the cities from other regions. Among them have been the elite of business needed to fill the growing ranks at the top of the white-collar army, the young seeking new opportunities, and the poor Southern Negroes and Puerto Ricans who have replaced the foreign immigrants of old as the "cheap" labor on whom urban areas depend.

Job patterns. More significant, however, than the shift in the cities' residents has been the growth of their daytime population, Gottmann contends. This is the result of the white-collar "revolution," he says, and it is going to continue.

In the future, though, he feels this growth will take on a new twist. On top of the big layer of routine white-collar—or "tertiary"—workers in trade, finance, home offices of large corporations and government, he envisions a surge in "quaternary" jobs. Among these he includes managerial and artistic functions, government, education, research, and the brokerage of all kinds of goods, services, and securities.

To accommodate such growth, governments must deal with many problems that already are obvious. Ways must be found to deal with traffic congestion, transportation, water and air pollution, etc.

Solutions. Gottmann does not make a pitch for any particularly new kind of government organization—such as metropolitan government—but simply thinks that something, perhaps a new kind of intergovernmental cooperation, will evolve. Toward that end, he puts his faith in the American people's inclination to align government services on national, state, and local levels to meet needs when they become urgent enough.

Because the world's urbanized areas are watching how Megalopolis works its way out of its mess, Gottmann says it is important that the people, leaders, and governments of Megalopolis find the right answers.

Further, he points out, these answers are essential to the survival of Megalopolis itself. More decentralization would mean more outlays for transportation, more decay and slums, as well as a shattering of the present structure of economic management. It would ruin, Gottmann says, "the last great function" left to the city. **End**

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vss) 9% Nickel Steel reduces cost of handling low-temperature liquids

Today, more than 400 pressure vessels made of 9% nickel steel are providing economical service at temperatures down to -320°F, the boiling point of liquid nitrogen. The pressure vessel shown here is designed for liquid oxygen storage at -297°F. Low carbon, 9% nickel alloy steel was developed to provide a ductile, moderately priced steel for storing such cryogenic liquids as ethylene, methane, oxygen and nitrogen in the temperature range from -150°F to -320°F.

USS 9% Nickel Steel maintains good strength, toughness, and excellent ductility at sub-zero temperatures down to —320°F. At room temperature it has a minimum yield strength of 65,000 psi and high charpy impact values, while at —320°F, double-normalized and tempered 9% nickel steel shows a 36% increase in yield strength, and charpy keyhole impact values range from 20 to 40 ft/lbs. Since tensile properties and impact values are even better for quenched and tempered 9% nickel steel, recognition by various code groups of the suitability of such heat treatment is now being considered.

10% lower costs. Accumulated data on cryogenic vessels of 9% nickel steel suggest that minimum savings of 10% of the final erected costs can be expected

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WINTERSTELL LIF WILL CHINAM LIDERAN

Acceptance of 9% nickel steel in the quenched and tempered, as-welded condition by code and regulatory bodies would make this steel even more attractive to designers and fabricators since the vessel would cost less to produce without stress-relieving and would be less expensive.

United States Steel Corporation • Columbia-Geneva Steel Division • National Tube Division • Tennessee Coal and Iron Division • United States Steel Supply Division • United States Steel Export Company



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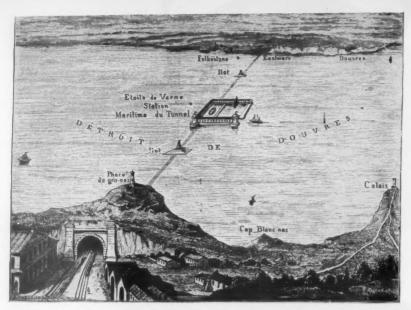
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Back in the 19th Century, engineers envisioned undersea rail traffic between England and France. Sketch shows an early proposal for tunnel project.

BUSINESS ABROAD

An old dream stirs furious rivalry

Hopes for a permanent link between England and France are nearer realization than ever before. Now, the problem is deciding whether it should be a tunnel or a bridge

After brooding separately for one year and a half, the British and French governments this month will study jointly a set of private proposals for tunneling under, bridging over—and perhaps even building a dam across—the English Channel.

Traditionally, a permanent link across the turbulent waters between Britain and France has been an engineer's dream. But it is closer to realization now than at any time in the 160 years that it has been envisioned, planned for, and even abortively begun (circa 1880, when test borings were started on both sides of the Channel).

Following meetings between Britain's Minister of Transport, Ernest Marples, and his French counterpart, Robert Buron, Anglo-French committees of experts are being set up to consider all aspects of a permanent link, from the traffic outlook

to finance to implications in international law.

Change of heart. In the past, the British have opposed the idea. They cherished the notion that their island nation should stay isolated. Militarily, they looked on the English Channel as a protective moat. Feelings ran so high in 1883 that angry citizens smashed all the windows in the Channel Tunnel Co.'s London office.

Now, the British are beginning to accept that they are a part of Europe. They have applied to join the European Economic Community. And in an age of planes, rockets, and nuclear bombs, the Channel has dwindled in military significance.

Time for decision. The need is pressing for improved transportation across the Channel. Increasing vastly since the war, traffic now stands at about 6-million passengers

a year and 450,000 automobiles (ferried by air and sea), and upwards of 10-million tons of freight. And the trend is climbing.

For financial reasons, a decision is becoming urgent. Both governments face heavy outlays on refurbishing and improving dock facilities, sea ferries, rail connections for Channel sea traffic. They must decide—and soon—whether to go ahead with major improvements, or just patch things up pending completion of a link.

Alternate plans. First, the governments must decide whether there's to be a permanent link at all. Then they must decide what it's to be. Both tunnel and bridge are being pushed by backers who claim that the cost of their respective proposals -\$294-million for a tunnel, \$596million for a bridge-can be raised by private financing. The latest entry in the stakes, a dam, is so far only an idea put forward by a few British and French engineers. They argue the dam is technically feasible, would cost roughly as much as a tunnel, and pay for itself by providing electric power to both Britain and France.

On any proposal, the governments have been carefully noncommittal. Still, there's some feeling that Britain tends toward a tunnel, France toward a bridge. "But I never back a horse until I see the form," says Transport Minister Marples.

I. Historic scheme

The tunnel idea has been around longest, more is known about its backers, and it seems at the moment to have at least a slight edge.

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The tunnel scheme goes back to the early 19th Century, when a French mining engineer put the idea up to Napoleon. British and French tunnel companies were formed in 1872 and 1875.

When the privately financed Channel Tunnel Study Group of U.S., British, and French partners [BW Mar,26'60,p28] submitted its huge report—representing two years of work and \$2-million—to both governments in April last year, it gave its blessings from an engineering standpoint to several alternatives, including a bridge. Economically, it came down strongly in favor of a tunnel for rail traffic only.

The backers. On the tunnel side today are the members and backers of the Channel Tunnel Study Group, which includes four equal partners: U. S.-owned Technical Studies, Inc., Suez Canal Co., Britain's Channel Tunnel Co., Ltd., and its French

equivalent. Technical Studies, headed by Chmn. Arnaud de Vitry and Pres. Frank P. Davidson, was formed by a group of top U.S. construction companies, economic consultants, and Wall Street investment houses. The British and French governments have interests in the study group via share holdings inherited through railroad nationalization. Bankers working with the group are New York's Morgan Stanley and Dillon, Read; Paris' de Bothschild Freres; and London's Morgan Grenfell and Philip Hill, Higginson & Erlangers.

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Twin tubes. The tunnel scheme would have two parallel tunnels, each with a rail track carrying traffic in one direction. Thirty-two miles long between portals (and 23 miles under the sea), it would run virtually in a straight line between a point south of Dover to a point south of

Calais.

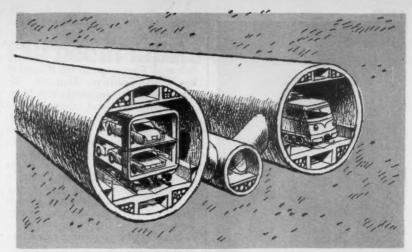
Varying types of rail cars—for passengers, goods, light vehicles, and heavy trucks—would race through the tunnel at speeds averaging around 60 mph. They would be loaded and unloaded in terminals at either end, except for a few trains, such as London-Paris expresses, which would pass through the tunnel and continue on.

The study group figures that the twin tunnels could handle 3,600 automobiles an hour (more than twice their estimate of 1980 demand), and still have plenty of capacity for passenger and freight trains. Trains could leave at intervals as close as three minutes.

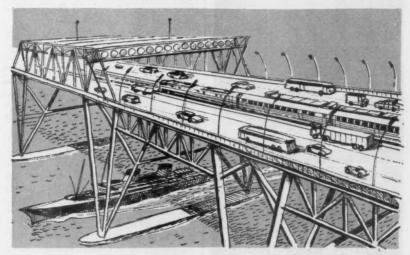
Two possibilities. The report describes two possible types of construction. One is a pair of conventionally bored tunnels passing through the lower formation below the Channel. The other is an immersed tube laid in a trench with the aid of outsize Texas towers. While estimated cost for the immersed tube is slightly higher than for the bored tunnels, construction time for it is reckoned at four years against five for bored tunnels.

II. Rival proposal

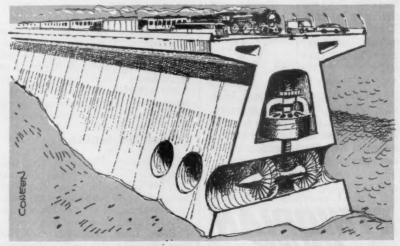
Until last year, the tunnel had the spotlight all to itself. Over the past 10 months or so, however, a formidable pressure group has grown up, chiefly in France, backing a bridge instead of a tunnel. A channel bridge study company has been formed in Paris by three French nationalized banks, three trade associations (steel, oil, trucking), several prominent industrial and construction firms. President is Jules Moch, a former government minister and del-



Tunnel scheme calls for twin tubes handling only rail traffic. Special rail cars would carry autos and trucks; others would be for passengers and freight.



Bridge proposal envisions a five-lane highway. Artist's sketch puts rail line in middle, but tentative plans provide for two tracks—one on each side of highway.



Dam is newest of schemes for linking England and France. Traffic ways would be located on top of the dam. Locks would be provided for shipping.

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egate to the U.N. Disarmament Commission.

Partner sought. The French participants now want to form an English arm. They hope to see it headed by Lord Gladwyn—formerly Sir Gladwyn Jebb, onetime British U. N. delegation chief, and ex-ambassador to France. Though Lord Gladwyn says he considers the bridge idea superior to the tunnel, he hasn't yet decided to take on the job.

While the bridge advocates claim to have as solid financial backing as the tunnel group, they haven't revealed what it is. The three French banks (two of them also are associated with the tunnel group) have only undertaken to form a marketing syndicate for the necessary bond issue, not to underwrite it. According to Moch, he also has financial backing lined up in Britain and the U. S., with offers from West Germany, Switzerland, Italy, and the Benelux nations.

The proposal used by the bridge backers as a basis for their calculations was originally presented to the Channel Tunnel Study Group by a consortium of Britain's Dorman Long (Bridge & Engineering), Ltd., the U.S. company of Merritt-Chapman & Scott Corp., and Campagnie Francaise d'Enterprises.

Engineering plan. The steel and concrete structure would have a fivelane highway, plus two railroad tracks (one on each side of the highway directly over the bridge girders), and overhanging sidewalks on each side for bicycle and motorcycle traffic.

The bridge proposal makes plenty of provision for shipping, its advocates say. Most spans would be 737 ft. wide (between pier centers), with head room above high water of 167-ft. But 10 spans would be 1,394 ft. wide, with 230-ft. headroom (23 ft. higher than the Queen Mary).

The bridge would have capacity to handle 6,000 vehicles an hour by using three lanes of traffic in the most heavily traveled direction at peak hours. Traffic will run about 5,000 vehicles an hour in 1980—much more than the tunnel group estimated—the bridge advocates say.

III. Spirited dispute

The rivalry is growing acrimonious, with the tunnel group charging the bridge would be a hazard to navigation and with the bridge backers asserting that the tunnel has psychological disadvantages.

Basic issue. Actually, the chief issue between the two is economic.

The tunnelers say they could raise privately the full \$354-million needed

(that figure includes interest payments during the period of construction). Investment in the tunnel, backers say, would yield a time-adjusted return of 8% over the 30-year length of the bond issue.

The bridge proponents say their scheme also could be totally financed from private investment, with the return growing from 4% the first year to 6% in the sixth to over 8%

in the 17th year.

In answer to this, the tunnelers say the bridge backers are basing their figures on overoptimistic traffic forecasts. But even accepting these figures, the tunnelers say, the time-adjusted return on a bridge is only around 4½%—a figure at which private borrowing would be much more difficult.

In other areas of disagreement, the bridge group argues that the bridge, although across one of the world's busiest waterways, would not be a hazard to shipping. Properly lit and equipped with electronic navigational aids, its backers say, the bridge would be, if anything, a help to shipping.

Psychological drawbacks. The tunnel people concede something to the argument that their project involves the inconvenience of getting aboard railcars and the possibility that claustrophobia might discourage some traffic in a tunnel. But they argue the bridge might induce vertigo in some people driving at 230 ft. above the sea.

Besides, the tunnel people say, high wind and dense fog would make a bridge unusable much of the time. The bridge group answers that wind deflectors could reduce even gales to levels motorists are accustomed to on land, and that there are modern methods of dispersing fog.

IV. Dark horse?

Although the dam theory has virtually no financial backing—at least, as yet—it could conceivably emerge as a dark horse. So far neither government has indicated that it takes a dam seriously. But the theory recently has been given prominence in several British publications, which pointed out that the latest Dutch sea wall covers similar distances over stretches just as deep and rough as the Straits of Dover.

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With locks for shipping, a dam across the English Channel could end in a Y-shape on the French side to form a lagoon, according to one proposal. With the lagoon filled by tidal flow, water could be discharged through turbines when electricity is in greatest demand. Traffic way: would be atop the dam. **End**

West Germany: The boom tapers off

West Germany's soaring business boom is gently tapering off, but not enough to worry the Adenauer government. In fact, Bonn is drawing up a 1962 federal budget designed to keep the economy slowed down. The reason: fear of inflation.

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Germany's explosive economic expansion, which started on its latest upswing in mid-1959, has been losing some of its steam most of this year and probably will continue to lose more into the second quarter of next year. Gross national product is expected to increase by 10.5% this year, compared with an 11.5% increase last year. Growth rate of industrial production shows the same pattern-it rose 11% last year, this year only 7%.

The decline in new industrial orders-foreign and domestic-tells part of the story. Last year, new orders topped sales by 8%. By the third quarter of this year, they had slumped 3% behind sales. With this trend continuing in the current quarter, new orders for the whole year might barely equal sales.

Hold on investment. These developments are causing German businessmen to take a more conservative approach to capital investment (chart), especially to outlays for expanding capacity. For the past two years, Germany has been in the midst of a capital spending spree in which outlays increased nearly 20% a year. This year they probably will increase 15%, next year about 7%. In 1960, total fixed investments amounted to \$15.9-billion.

The government is planning a "frankly restrictive" budget for next year. To be sure, spending will increase by \$1-billion. But the major increase will be for defense, with the bulk of these funds slated for expenditure in the U.S. and Britain. Then, too, no tax relief is slated for this year, and the budget is expected to run a \$250-million surplus.

Inflation fear. This kind of budget planning reflects the government's view that the present slackening in business is the moderate easing of a dangerously overheated situation. Certainly, the government would never plan this type of budget if it feared a general recession.

Actually, its chief concern still centers on the inflationary forces lurking in the economy. The fear is that they may surge up again in the second half of 1962.

One thing that worries the government is the fact that wage increases are pulling far ahead of productivity (chart). After exercising restraint during the postwar recovery, trade unions have started driving up wages, whittling the work week down to 40 hours. After posting an 8.9% increase last year, wages will rise another 11% this year, and still another 10% increase is expected in 1962. Meanwhile, productivity rose only 6% last year and is expected to climb only 4% this year.

A key element in all this is Germany's severe labor shortage. Unemployment is down to 95,000, less than 0.5% of the total labor force. Meanwhile, job vacancies have climbed to 575,000, and a major source of new labor-East German refugees-has been cut off.

Price trend. So far, industrial prices haven't gone up much-only about 1.5% this year. That's partly because of the fall-off in demand and the stiffening of competition. Also, businessmen have been absorbing the inflationary discrepancy in wage and productivity growth by narrowing their profit margins. The question is how long they can keep from passing cost increases on to the buyers.

Consumer prices already have pushed upward this year about 3%. The principal reason is that consumer demand, with rising levels of consumer income, has remained

Capital spending. There are other reasons why the government wants to keep the brakes on. Although planned investment for next year is less than the percentage increase in the past few years, it still will be up in absolute terms.

Moreover, to keep pace with competition, businessmen are likely to pour money into plant modernization and automation. Because of the labor shortage, this is expected to offset, by the second half of next year, the present tendency to cut investment for expansion of capacity.

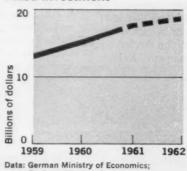
Balance of payments. One other factor that Bonn is watching closely is Germany's balance-of-payments position. This year exports were strong enough to give Bonn a trade surplus of \$1.2-billion, up 50% over 1960. However, substantial nonrecurring monetary transfers to the International Monetary Fund and postwar debt repayments more than offset the trade balance, leaving an over-all balance-of-payments deficit estimated at \$1.3-billion.

Now that these outflows are out of the way, Germany is expected to run a big over-all surplus next year. So far, last March's 5% upward revaluation of the Deutschemark hasn't put much of a crimp in German exports.

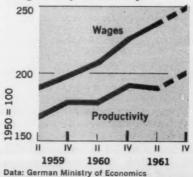
To combat the internal effects of this surplus and to discourage the inflow of hot money, Bonn probably will rely on its present low discount rate policy. Although this probably will keep out the short-term hot money, domestically it will mean easy credit—in itself, an inflationary push on the economy.

Of course, any economic forecast in West Germany today must be more iffy than in the past ten years. After a long unchallenged reign, Adenauer now is heading a somewhat uneasy coalition. During the political infighting in Bonn last fall, there were some fears in the business community that West Germany was heading into a period of political instability and economic uncertainty. End

Fixed investment



Wages vs. productivity



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Move to wipe out tariff on books may be first shot in free trade battle

Backers of Pres. Kennedy's proposed trade program [BW Nov.11'61,p27] are casting about for ammunition to open the campaign. Among the possibilities is asking for implementation of the Florence Agreement, to which 35 nations have agreed. It eliminates tariffs on books, maps, papers, and some scientific equipment.

The U.S. Senate earlier this year ratified the treaty but it needs implementing legislation, which must pass

both houses of Congress.

The U.S. presently maintains only a 5% tariff on English language books and sheet music entering the country. Elimination of this would not be important in itself, but would serve as an opening shot in the fierce battle that is almost sure to develop around the President's proposed request for authority to reduce U.S. trade barriers in return for a reduction of barriers against U.S. exports.

Canadian newspaper publisher buys major British magazine group

Canadian newspaper owner Roy Thomson moved this week to expand his worldwide publishing empire by acquiring control of a major magazine group-his first.

His newspaper and television group, The Thomson Organization, agreed to buy 55% interest in Illustrated Newspapers, Ltd., Britain's last large independent magazine group. The price offered: \$3.9-million.

Illustrated owns or controls five major British magazines, including the Tatler & Bystander, and the Sphere. The group also includes a printing company, Keliher, Hudson, and Kearns, Ltd., and book publishers Michael Joseph, Ltd.

Roy Thomson already owns more than 90 newspapers and television stations around the world. In Britain he owns the influential Sunday Times and The Scotsman.

Up to now, Thomson has had no magazine holdings. He previously tried to take over Britain's Odhams Press, publisher of 80 magazines, but lost out to the Daily Mirror Group [BW Mar.11'61,p30].

French skeptical of U.S. plan to restrict imports of aluminum

The U.S. aluminum industry's plan to get foreign producers to impose voluntary limits on sales to the U.S. market leaves the French aluminum industry puzzled

and skeptical.

The plan, announced late last month, calls in part for overseas suppliers voluntarily to hold U.S. sales to "best year" limits, with negotiated increases if U.S. consumption rises [BW Nov.18'61,p36]. In effect, it's the U.S. industry's bid for special treatment when the

Kennedy Administration goes all out for its liberalized trade policy next year.

French reaction to the plan is important. For one thing, France is the most important aluminum producer in the European Economic Community (EEC). For another, the plan needs almost unanimous agreement among the world's producers if it is to work.

The French charge that the plan smacks of the old cartel system of carving up world markets, and runs counter to the Administration's plans to promote freer world trade. Moreover, they doubt if all leading U.S. aluminum manufacturers will support the plan.

As the French see it, the real reason for the plan is that the U.S. aluminum industry now has 400,000 tons of idle capacity. Meanwhile, fabricators are turning to lower-priced imports to cover part of their needs.

Sugar for cars in three-way barter brings Spain part of debt from Cuba

Here's an example of the complicated deals being worked out around the world to get Cuba to honor her debts.

The first part of a triangular barter deal among Spain, Cuba, and France and Germany came through this week. Designed to allow Spain to collect part of the \$14-million owed by Cuba for exports, the first installment calls for Cuba to export some \$500,000 worth of sugar to France and Germany. These countries will send \$500,000 worth of automobiles to the Spanish government, which in turn will sell them in Spain.

This seemed the only way that Spain could get payment. Since the Spanish Ambassador to Cuba, Juan Pablo Lojendio, was ousted after staging a public fight with Premier Fidel Castro during a televised talkathon, Spain has had no representation in Havana.

Spain cut off exports to Cuba when the bill reached \$14-million. Then it started negotiations with Havana for payment. The result was the triangular barter deal in which France and Germany concurred.

The passenger-proof taxi

West German auto maker Mercedes-Benz is introducing a taxicab model designed to afford the driver a

maximum of protection from robbery.

The Mercedes 190 diesel has a bulletproof partition of glass and upholstery between the driver's seat and the passenger compartment. Payment is made through a slot in the partition. Lights in the cab are so arranged that the passenger can't see the driver clearly. Finally, cab doors are locked and are controlled by the driver. In case of an accident they spring open automatically when the motor is turned off.

Some cynics say Mercedes-Benz has forgotten one important thing-sound proofing. That would protect the driver against epithets hurled at him as he cruises

through traffic.

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Try-before-you-buy remodeling

Planarenas—home remodeling centers strategically set in big stores—show customer what he is getting, give retailer another crack at service dollar

Planarena, a home remodeling center (picture), is the proverbial stone with which merchandisers hope to bag two quite different birds:

For homebuilders, it aims to upgrade the prestige of the fast-growing remodeling field [BW Oct. 7'61,p101].

• For retailers, it aims not only to build sales but also to provide another wedge whereby big stores can capitalize on the demand for services [BW Feb.18'61,p77].

The project is the brainchild of Cleveland-based Modernization, Inc. Through it, Eugene B. and Jerome Squires, brothers who head Squires Construction Co., offer a novel merchandising approach to the home remodeling trade.

Franchised operators. Modernization, Inc., works by franchising contractors in each market to operate a Planarena (the Squires have a patent pending on the name). The contractor runs the center as a leased department in a department store.

Higbee Co., a leading Cleveland merchant, opened up the first Planarena last June. A few weeks ago, Foley's, a member of Federated Department Stores, Inc., opened the second. The Squires hope to have some 20 to 24 going by the end of next year. It reports that seven leading stores are on the list for openings early in 1962. Eventually, Modernization, Inc., aims to have a center in every major market.

Reputable tie-in. Home remodeling is big enough business—some estimates put it at \$20-billion—to lure many builders. But, like many fast comers, it has been plagued with suede-shoe operators to the point where consumers tend to eye the whole field with suspicion. By tying in with a reputable retailer, the Squires hope to knock this suspicion dead.

Department stores, for their part, have recently evinced an urge to get at more of the consumer's service dollar. Foley's itself has set up a travel service. Mass merchandisers such as Sears, Roebuck & Co. and Montgomery Ward & Co. Inc., have

done the same [BW Sep.16'61,p69].

Only this week, Sears took another step that underscores the stores' growing interest in capturing more of the service market. The company announced that it is opening self-service dry cleaning centers adjacent to its stores in two cities—Kankakee and Waukegan, Ill. Both centers will be housed in separate buildings in the Sears parking lots.

This makes three new services that the big mail chain has instituted this year. In connection with its travel service, it also announced last spring a new Allstate Motor Club for motorists [BW May20'61, p57].

Since home remodeling often involves new furnishings and equipment that department stores sell, the route that Modernization, Inc., is taking would seem to be a natural.

Blueprint. Here, more specifically, is how Planarena works.

Modernization, Inc., arranges for leased space in the stores. It lines up a qualified contractor, whom the store must approve. It guides him in his operation, especially in the introductory period.

The contractor pays an initial franchise fee to Modernization, plus 3% of the gross sales he makes through the unit, after these have reached a certain point. He also pays the department store a percentage of his take, as any leased department normally does.

Sales pitch. As a merchandising package, the sales pitch of the Planarenas to homeowners is "Try before you buy." At Foley's, for example, the display area is divided into sample rooms: a high-priced kitchen job of \$4,000 with a \$1,000 appliance package; a low-priced kitchen (\$1,600, with a \$395 appliance package); a den, at \$1,795; a bathroom at \$900. In a central display area, a kitchen is set up in which every piece of equipment is movable; floor cabinets, built-in stove and sink units slide around on casters.

If the customer doesn't want one of the packaged rooms, he asks a



Planarena at Foley's department store in Houston is divided into sample rooms. Movable furniture and appliances can be shifted until setup suits customer.





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The companies involved in Planarena read like a who's who of manufacturers ...

Story on page 77

Planarena salesman to come look at his own home. Then the salesman recreates the kitchen, say, juggles the equipment around till the setup suits the customer.

Pre-fixed price. Planarena lays down the price, including contractor services, such as wiring and plumbing, which Planarena farms out. The customer knows what he is getting at what price before he signs on the dotted line. Modernization, Inc., has worked out a detailed price catalogue for the franchisee's use. The price includes a reasonable net profit for the contractor.

Everybody profits. The Squires feel that the stores that sign up with Modernization gain several ways: They get the "image" of a company that offers an unusual service. They could hope to get plus sales. While Planarena sells direct any built-in appliances that the customer buys, the customer may prefer some of the free-standing appliances, and these he buys in the store's regular appliance department.

Probably the most important plus for the contractor in the scheme is the prestige of a tie-in with an established retailing name. But the contractor also gets detailed help on how to set up his center, how to train his personnel, all sorts of forms for writing orders, help in advertising, and the like.

Hard sell. Eugene B. Squires, president, admits that selling the idea to department stores took some doing. They are as suspicious of the fly-by-night operator as the consumer is. The idea got a lift, though, from Life magazine, whose staff saw the project as a way to build good will among its advertisers. Life hosted a meeting early last spring at which the plan was presented to a number of manufacturers and building materials suppliers. The magazine will sponsor a similar meeting in New York early next year. Many manufacturers were quick to see the sales possibilities; by now, the list of companies involved in the two Planarenas already operating reads like a who's who of appliance producers and materials makers.

Stiff requirements. Modernization, Inc., understands very well the reluctance of stores to venture into this unknown area. To quiet their

qualms, the company sets rigorous requirements that the contractor must meet. The franchisee must agree to conform with the store's advertising policies, selling hours, and the like. He must have an initial capital of some \$50,000, and he is bonded.

The Squires put the cost of setting up the Planarena at from \$30,-000 to \$35,000. The contractor puts up some \$10,000 of this; the manufacturers and suppliers contribute the rest-in floor samples, advertis-

ing, and the like.

Both Higbee (with some months of experience with Plan-arena) and Foley's (with about three weeks) appear satisfied with the venture so far. Higbee is mum on figures, but one estimate has it that the Cleveland operation did \$118,000 in the first six months.

Off and running. Arthur Squires, general manager of Planarena of Foley's, feels his operation has gotten off to a good start. He estimates that some 2,000 people came to look in the first couple of weeks, and the department got 142 leads. By Jan. 1, he figures his center will have done about \$50,000 worth of business-pretty good, he feels, considering that the fall is generally a slow season for home remodeling.

Jerome Squires formed Squires Construction Co. in 1940, specializing in residential re-roofing. His brother Eugene joined in 1946 after he left the Army. An affiliate, Squires Home Builders, has built more than 800 new houses in 20 years.

Now that the ice is broken, the Squires are confident that the plan will flourish. Manufacturers who held off at first are now crying to get in, Eugene Squires says. As for retailers, he says that many of the nation's top department store chains are now

lined up.

Home modernization is bound to take an increasing share of the market for residential construction, he believes. "After all," he says, "most of the areas around metropolitan centers are already built up. Once you are getting more than 45 minutes away from a man's place of work, you are getting uneconomical." People have the choice of moving still farther from the city, or remodeling their older homes. End





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Fifth Ave. discovers Incan arts

Importers of Peruvian handicraft cash in on yen for "something different"

From the Altiplano (or high plateau) of Peru's Andes to the big urban markets of the U.S. sounds like an almost impossible leap. Yet Pinata Party, Inc., and its Quechua Indian craftsmen have made it—to the tune of roughly \$1-million worth of business a year.

Pinata Party (a pinata is a festive jar full of toys, which Mexican children break open at fiesta time) started as a two-bit shop in New



End of a work day: Quechuas head for home (left) after a long day at Lord & Taylor's exhibit of handcrafts.

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York's Greenwich Village. In four years it has grown into a national and even international importer and wholesaler of Peruvian handicrafts, selling to some 1,100 retailers. The two young men who run it-Stanley Selengut and George Grossblattappear a bit breathless over their own feat.

Sheer luck helped. But luck can't get all the credit. Pinata Party's success underscores one of the key facts of today's marketing life: People yearn for something a bit out of this world, away from the humdrum. Retailers, too, hunger for the product that tells their custom-"This store is different."

ers, "This store is different.
"I'm a construction engineer,"
when begins Selengut abruptly, when asked how come his craftsmendescendants of the Incas-are currently cavorting at a Peruvian display in New York's Lord & Taylor. My partner is an accountant.

Family project. Their story hardly makes sense unless you begin at the beginning-with the belated honeymoon of young Selengut and his wife, which took them to South America. In a year's jaunt, they became fascinated with primitive life, lore, crafts. They got the Grossblatts interested, loaded up with stock, and set up shop in November, 1957.

The wives ran the business at first. "But they really didn't care about making money," Selengut says. They ran head on into supply problems-the Quechuas just don't turn out goods by the bucketful. Faced with almost too much success, they turned the business over to their menfolk.

Discovered. Chance helped from the start. A Macy buyer spotted their shop while he was dining in the Village, immediately wanted to place a wholesale order. Another big retailer who lives in the Village stumbled onto Pinata Party

A Life staffer liked some Peruvian ski masks he saw while skiing; Life featured the masks editorially in February, 1959. Letters and phone calls swamped Pinata as a result. 'Strange as it sounded, we decided people want this kind of stuff," Selengut recalls.

Buying trips. To get their stock, Selengut and Grossblatt take turns going back to the wilderness. They paddle down rivers, traverse the jungle, have a "weird but wonderful

Few entrepreneurs have dug up new business with their techniques. On his first foray, Selengut visited



In the Andes: Pinata Party chief Stanley Selengut and his wife visit a "factory where Indians weave fine fabrics.



Going through their paces: Indians demonstrate their skills-on the harp, the violin, and the loom-while customers watch. Before this exhibit, the Peruvians, all descendants of the Incas, visited Detroit's J. L. Hudson store.



Greenwich Village showroom: Pinata's Grossblatt (left) and Selengut relish atmosphere as part of firm's "image."



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10 villages. "First thing I'd do when the mayor came to meet me," he says, "would be to take a drink of chicha." That's young corn shoots, well chewed and spat out, with some sugar added. A few drinks, and Selengut was ready to oblige with a Lindy to Indian music; ready to sit on stone-cold ground for hours, eat guinea pig, and talk business. "It was the Lindy that really won them," he thinks.

Gradually, he lined up village leaders as Pinata's agents. By now, he has 22 market areas, each with its agent. For the more costly lines, he has three "factories" or open courtyards, where some 300 Indians gather to turn out their wares. The rest of the 2,200 Quechuas whose work he imports work at home.

To get an agent going, Selengut would advance some money to pay for raw materials and labor. He took mortgages on a prized possession—usually a pickup truck. The agents, working on commission, collect the villages' output each week, pay off the Indians. As sales build up, Pinata gradually retrieves its advance.

Pay scales. Setting pay scales took some novel thinking. An Indian working on a farm from sunup to sundown usually gets eight sols (30¢) a day. Pinata agreed to pay 30¢ for the first article an Indian turned out if it took him all day. A difficult article might take three days —90¢. Since very shortly the Indians can double or treble their output, the daily pay scale jumps fast. They average about 25 sols a day.

Incentive system. Slow output hamstrung the company at first. Using their traditional "backstrap" looms, the Indians could turn out only a yard or so a day. Selengut invested in some modern handlooms with a capacity of about 25 yd. Pinata owns the looms, leases them out free. This gives the company some leverage. If a village falls behind in quantity or quality, Pinata can yank the looms, set them up elsewhere.

The partners reckoned that the incentives for faster production would speed output, but they reckoned without the Quechua philosophy. The money came in so fast that the Indians figured they would stop work after two or three days.

To settle this, Selengut developed some contests, with prizes for the village with the best performance. Once the prize was a set of pots and pans. Once it was an inscribed loving cup. This appeal to village pride worked "like a charm," says Selengut, and the "sitdowns" stopped. The crowning prize: a trip to the U.S.

U.S. debut. Happenstance brought the company another break. A Lord & Taylor buyer stumbled on one of the factories while she was vacationing and the current promotion is a result. Other retailers got on the bandwagon. Detroit's big J. L. Hudson featured the Quechuas in a storewide display this fall.

Selengut winces when he recalls what the Hudson exhibits involved. "Sure, we can deliver goods for every department," he promised. To make good, the company spent a year dreaming up designs for pottery, sports wear, silver, fabrics. But both Selengut and Hudson believe it was worth the effort. In Detroit, the Indians were a smash hit.

Free design. Pinata Party does buy some one-of-a-kind products, an ancient grave marker, pre-Columbian textiles, an elaborately wrought table. But its main business is with products of today: bulky sweaters, fur hats, robes, bowls, and the like.

This calls for some real design creativity. Pinata Party has no special staff designer, though. "We're all creative here," says Selengut. He feels—as many industrial designers feel—that their naivete in design actually becomes an asset. With no preconceived notions of what a hat should be, they come up with some weird and wonderful ideas.

The Indians help. "We get the best artists in a group together," Selengut says, "have lots of liquor, then we play games. We play 'Let's make a hat game,' or 'Let's make a wooden bowl game.' We get the most fabulous samplings you can imagine."

And the stores help. "We get lots of help," Selengut acknowledges. "We take our samples to the best buyers; they tell us what will sell."

Works of art. He quickly discovered some risks in the sampling system. No two copies ever turn out identical. At the start, this was a major problem. Store buyers carped, rejected goods that didn't duplicate the sample exactly. "We convinced them that every item is a work of art, and that this variance from specifications is a plus," Selengut explains. The stores, in turn, are teaching their customers to feel the same way.

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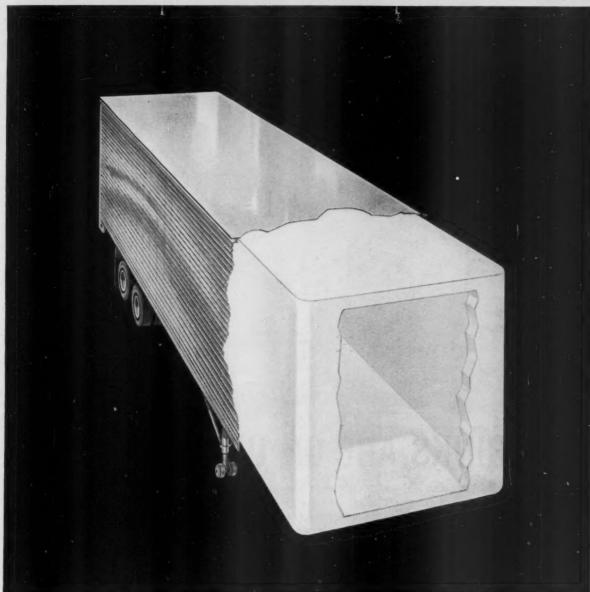
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Selengut grants the faddy nature of many of the items Pinata imports: wild hats, extraordinary sports jackets. But there's nothing faddy about the textiles, he insists. These call for skills 2,000 years old. And the quality of the yarn is unique. Nowhere else, Selengut says, can you get fine llama, alpaca, and the like so cheaply.

The faddy nature of some of the lines does not endanger the work-

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ers. "We keep them ambidextrous," Selengut says. They aren't just weavers. They are people who weave a rug when they need one, make shoes when they need them, pottery when the cupboard is bare. So, if fur hats die out, they can turn their hand to something else.

The company sets the retail price on everything it sells; this has a built-in minimum store profit of 50% of the retail price. The business is profitable, Selengut admits. But most of the profit goes back into developing new products, new sources.

No. 1 problem. Money has always been the No. 1 problem. To get started, the partners borrowed from friends and relatives, scraping the barrel for an initial investment of \$6,000. Banks wouldn't touch them. By now, banks are more amenable, but they still play it more cautiously than a fast-growing concern likes.

Scattered sources and small orders—for a relatively small market—add to distribution expense.

But time and again, the partners have resourcefully parlayed a liability into an asset. Store buyers know that production is limited, that there may never be supplies for repeat orders. So they tend to place the bulk of their orders at once.

Second-floor showroom. The company has capitalized on its offbeat Greenwich Village habitat, too. Its showrooms are second-floor quarters, over a strip-tease hot-spot. "We could afford fancy uptown showrooms now," Selengut says, "but we voted against it. This place is part of our image. Buyers get a kick out of it. We don't have to seek them out, they come to us."

For next year, Selengut plans six store promotions. He'll expand his lines to gourmet foods, records, toys—an archeologist's kit, for one. He plans to bring a group of Peruvian children to the U.S. next year, to meet the children of this country.

Political upheavals pose a constant threat to his sources. But politics is less of a worry than it used to be. Now the company could afford to pull out if an area got too hot, start again somewhere else.

Flag-waving. Selengut is not sure how big the company should grow. But he's already thinking of tapping other spots, Africa, maybe, the Far East. Given the capital, he thinks he could run several operations.

"We have proved, we think," he says, "that these primitive areas afford an important source of skilled labor. And there's another reason people like us. I laugh at myself for flag-waving, but I think people who buy our stuff feel they are helping win friends for the U.S." End



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Pres. Allison R. Maxwell, Jr., led Pittsburgh Steel in cost-cutting that enabled it to finance modernizing plan.



Donald C. Duvall, executive vice-president, took a leading part in winning employees to support cost hold-down.



Carl A. Breuer, a smart engineer and operations vice-president, will run modernized plant Pittsburgh banks on.

COMPANIES

Steel laggard bids to get in running

Pittsburgh Steel's home-grown management (below) now has high costs under control, is set to rebuild plant to make it fully competitive for first time in decades



Probably the most fashionable cliche in U.S. management today is one that says solemnly that "somehow, we must communicate with our people—persuade them that the company's problems really are theirs, too."

For all the earnest lip service paid that concept, few companies ever attempt it dead seriously. One that did is Pittsburgh Steel Co. The company's effort, under its homegrown top management (pictures), was successful enough to yield Pittsburgh the opportunity to escape the ranks of marginal producers—to become fully competitive for the first





Richard McL. Hillman, Pittsburgh's financial officer, negotiated the money package to finance the modernization.

time in this business generation. Financial fruit. Some of the fruits of that effort were apparent this week and last, when Pittsburgh Steel was busy letting contracts under a new \$44-million spending program. That it could do so was remarkable in itself, for the company, which averages \$150-million in annual sales, recorded losses in 11 of the last 23 quarters.

In spite of that record, last month Pittsburgh raised \$25-million in new capital. It replaced an expiring \$10-million bank loan with a fresh one for \$15-million. It added \$10-million of mortgage bonds to one of steel's heaviest debt structures. And it persuaded its owners to buy \$10.4-million more of a common stock that the market has been valuing between \$10 and \$12 per share even though its book value is about \$40.

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You might reasonably conclude that all this shows successful communication, all right—but with the investment community, not Pittsburgh's employees. But you'd be wrong if you did.

Renabilitation. For the new financing and the spending program are the culminating stage in a decade-long corporate rehabilitation.

In the second half of this rebuilding operation, under Pres. Allison R. Maxwell, Jr. (cover and far left), the company has taken three long strides in its effort to become competitive.

First, and most fundamental, Pittsburgh tackled the high hourly employment costs that were its basic competitive problem. But it had to undertake the massive employee information program and put in several years' hard work before it won an agreement that, without cutting pay, in effect holds down its high incentive-pay costs while pay scales in the rest of the industry catch up.

Meanwhile, it went after raw material costs by extending control of its raw material sources.

These two cost-cutting moves put it in position to get the financing for the new spending program. This program in turn will give it the most modern type of plant and equipment, squeezing costs still more and fattening up profits instead.

I. The 'goal-less' company

Last month's successful financing really began one morning in 1956 when Pittsburgh's officers studied findings of a professional opinion survey aimed at learning what its people thought of the company.

"We really found out," said one

"We really found out," said one officer recently. "Our own management people considered us a 'goal-

less' company.

That was the last outside help Pittsburgh had. Everything else was the product of its home-grown staff [BW Nov.3'56,p95], Executive Vice-Pres. Donald C. Duvall, previously industrial relations vice-president and before that Monessen works manager, and Operations Vice-Pres. Carl A. Breuer bore the heaviest burden of making the company's problems real and credible to the plant towns and work force. But Pres. Maxwell was right on the scene repeatedly.

Behind them, company staffers pinned down the problems, developed programs to solve them, wrote the documents, trained the people

who sold the programs.

"I'm not a bit certain," says Maxwell, who headed the whole effort, "that any outside consultant would have been willing to risk his reputation on us."

II. The key: lower wage costs

The key to Pittsburgh's problems really was pretty simple. Everything depended on cutting hourly employment costs, which, because of incentives, were 46¢ per hour above competition. This figured to be quite a chore in an industry where employment costs rose 35¢ during the five years it took Pittsburgh to solve this problem.

Even so, when steel raised wages 3.5% last Oct. 1, Pittsburgh Steel became competitive on employment costs for the first time in years. This it did without cutting wages, by the hold-down on its own costs.

Critical. Lowering hourly employment costs wasn't by any means Pittsburgh's only problem.

But it underlay everything that needed doing. Those premium wage costs made profit impossible except when steel operations were very high. Without profit, Pittsburgh could neither generate retained earnings nor support new investment. Hence, it could not complete the corporate rehabilitation job that was about half done when Maxwell became president.

Splendid start. In the first half of the 1950s, when steel's volume was lush and accelerated amortization made financing easy, Pittsburgh Steel accomplished a splendid start on an almost total corporate rebuild. Under Pres. and Chmn. Averbuild. Under pres. and Chmn. Averbuild. Under pres. and Chmn. Averbuild. (to retain customers) and broadly diversified its product line (to acquire new ones).

It cleaned up a balance sheet studded with preferred dividend arrearages, raised profitability enough to pay cash dividends for the first time in 25 years. All this cost \$120million—a little less than double Pittsburgh's assets when the rebuild

Hurt by the timing. Late in 1956, Adams moved on to the top job at Jones & Laughlin Steel Corp., and Maxwell, then sales vice-president, took over. He began the job that remained, which was cost-cutting—not only in the steelmaking plant but in raw materials and the product departments as well.

Within a year, though, steel's lush postwar decade ended. Its costs continued to soar while volume slumped —from an average of 90% of capacity during the first six years of Pittsburgh's rebuild down to an average of 62% during the last five

vears.

This all but strangled Pittsburgh, for the cost of expansion and diversification left it essentially without the credit it would need to get mortgage debt. Its competitors plunged ahead, spending \$1-billion per year on modernization and cost-cutting while Pittsburgh, with incentive pay growing remorselessly higher, fell farther behind. In less than a decade

-from 1950 to 1958-the total of its excess employment costs piled up to \$20-million.

III. Objective: understanding

You don't solve such a problem simply by asking a militant, monolithic union such as the United Steelworkers to cut wages. Pittsburgh decided it could only do so by convincing its people that no other answer existed.

The company started from the knowledge that foremen and supervisors considered themselves poorly informed. Yet the officers believed that front-line supervision could be made the company's most potent voice with hourly workers-provided they knew the facts and the plans

to correct the problems.

First step. That brought about Pittsburgh Steel's management institute. It took almost a year to prepare. Wholly home-grown, it was designed to teach 700 middle and lower management people Pitts-burgh's problems. It laid brutally bare the depressing financial facts. It detailed the plans for recovery.

The program kicked off in mid-1958. Thereafter, for nine months, every officer and department head appeared before every lesser management man-in small groups-for at least 90 minutes, explaining his operation, detailing his problems, selling his portion of the comeback

That gave Pittsburgh the tools with which to attack the excessiveemployment-cost job.

IV. Negotiating downward

It had the opportunity, as well. The program barely was completed before the negotiations that led to steel's 116-day strike in 1959.

In that struggle, Pittsburgh bore the same burden that every producer did-plus one more. It told USW negotiators it simply had to have a contract that would equalize its incentive pay scales with the industry.

Naturally, that got nowhere. So, a month after the strike began, Pittsburgh went straight to its employees. newspaper advertisements that Pittsburgh ran in its principal plant towns were the critical parts of a six-month campaign. They stripped every garment from the company's fiscal torso.

Of course, Pittsburgh promptly explained to Wall Street why it was baring such depressing facts about

'We could have bankrupted the company if we hadn't," Maxwell savs.

Vote test. After almost four months, the strike ended in a Taft-Hartley injunction. As the 80-day injunction ran on, the industry realized that it wouldn't win any "final vote. But if no such vote were held. Pittsburgh Steel stood to be in worse shape than ever. Hence, it decided to go to a vote regardless of what the industry did.

So, as well as the conventional approaches—advertising, broadcasts, speeches, employee mailings, publicity, car cards, and all the restthe company put its newly trained management group to work.

Two-man teams visited 6,000 of the 7,700 hourly workers at their homes. For every interview, a readback report form was made out. Punched-card tabulations gave a running, detailed look at how the offer was selling. That enabled the company to refine its tactics and arguments. At yearend, statistical evidence indicated Pittsburgh's chances of winning the vote were somewhere between 44% and 57%.

Early in January, the industry set-tled. A day later, Pittsburgh made its revised final offer.

The vote, on a percentage basis, ran 66 to 34 against the companywhich immediately began to shut

Victory from defeat. That did it. For the community had no stomach for more strike, and USW had none for the risk it ran of crippling an already marginal producer. Within 24 hours, Pittsburgh had a written commitment that if six months' study didn't turn up a solution better than the one in its final offer, the company could institute its incentive-pay program and USW would have 60 days within which to accept it or strike.

A better solution was turned up [BW Aug.13'60,p76]. But the local unions spurned it, so Pittsburgh began shutting down again.

This time, it took 48 hours to work out the deal. Broadly, it saved the company almost two-thirds of the 40¢-per-hour cost of the industry's 1960 contract. No one had his pay cut, but the 5% whose incentive pay averaged better than 100% of base rate did not get the two raises called for in the industry contract, and will not get the next three raises that are negotiated.

All this got employment costs into

V. Lower material costs

While it was persuading its hourly people to stand still until the rest of the trade caught up, the company was also doing a superb job on bringing down the costs of its raw

materials supplies.

Two years ago, for example, it controlled only 22% of its raw materials. Today, it's close to 70% integrated on raw materials—which is a steelman's way of saying that he controls his own ore, coal, and limestone supplies tightly enough to take —rather than pay—the profit on producing them. On iron ore alone, that means \$2 to \$4 per ton.

Currently, Pittsburgh is concluding coal and stone negotiations. Then the company will own or have under option all the raw materials it requires to operate at 75% of capacity—historically steel's normal

operating rate.

All of this was done practically on a pay-as-you-use basis. With such labor and materials cost savings demonstrably in hand, Pittsburgh was qualified, about one year ago, to ask Wall Street for money.

VI. Efficiency coming up

First off, the \$44-million spending program will buy 1.3-million tons of basic oxygen converter capacity. In effect, that will mean wholly new steelmaking plant with a tons-perhour rate about seven times that of its existing open-hearths. Cost: about \$17-million.

That will make Pittsburgh the first property in this country that, at normal operations, will be making all its ingots by the oxygen process.

At both ends. Pittsburgh will spend \$9-million on ore-preparation equipment. That, plus new blast furnace techniques, will give it enough iron from existing furnaces to support the new steelmaking equipment.

For \$4.5-million. Pittsburgh will add two more stands to its hot-sheet mill—the single most critical product mill it owns and the backbone of its diversification program in the first half of the 1950s. This won't put Pittsburgh into the coated-sheet market—the cream of the flat-rolled business from the profit standpoint. But it will ready its sheet departments and product ranges for such a move later if that be wanted.

Beyond these, the company has three other spending programs, which will cost another \$14-million. That totals \$19.4-million more than its new financing-and the difference is readily available from depreciation.

Gross profit on this investment, at 75% of capacity operation, is figured to climb far beyond even the 20% pre-tax profit on sales that most steelmakers can't reach now but would like to consider an attainable goal. End

International outlook BW

December 2, 1961

Kennedy offers Khrushchev two choices on Berlin

Pres. Kennedy is offering Nikita Khrushchev two choices on Berlin:

The first is to accept essentially the status quo with a few face-saving trimmings. If successful, negotiations on this line would lead to others aimed at stabilizing East-West relations.

The other choice is to accept the prospect that tension will continue—and probably mount. The chances for a war by miscalculation would grow.

Ever since the Berlin crisis started, Washington has been moving toward this bargaining position. Kennedy drove his points home in this week's interview with Alexei Adzhubei, Khrushchev's son-in-law and editor of the official Soviet government newspaper, Izvestia.

In the interview, published verbatim in the Soviet Union, Kennedy painted for the Soviet people a rosy picture of the future—so long as Moscow exercises restraint. If Berlin is settled, Kennedy said, the coming years may see increased trade with the Soviet bloc, higher living standards, international security.

Kennedy held out some possible—but minor—Allied concessions. He suggested that the U.S. would buy the idea of an internationally supervised autobahn between West Germany and West Berlin, that it might be "helpful" if NATO and the Warsaw Pact powers signed a nonaggression pact.

The basic Western position, however, is this: Any negotiations with Moscow must reaffirm the West's rights in Berlin and guarantee West Berlin's political and economic ties to West Germany and the West.

De Gaulle still won't budge on his position

t g

Obviously, there is not much room for bargaining over Berlin.

That's why Pres. de Gaulle of France is still against talks with Moscow, even after his conversations last week with Prime Minister Macmillan in London.

De Gaulle may give a bit after his meeting next week in Paris with Chancellor Adenauer. The two leaders have seen eye-to-eye in the past on this subject. But Adenauer, after talking with Kennedy last month, took a more flexible line than anyone had expected and agreed that East-West negotiations were desirable.

Shake-up aims at bolstering State

This week's shake-up at the State Dept. has a dual purpose: (1) to strengthen State, and (2) to strengthen White House control over State.

In the new lineup, these are the major developments:

George W. Ball takes over as Under Secretary of State from Chester Bowles, who becomes a roving ambassador to underdeveloped countries. Ball will retain his old responsibility for foreign economic policy.

George C. McGhee, who has been counselor of the State Dept. and chairman of its Policy Planning Council, moves into Ball's spot but with largely administrative responsibilities.

Former Ambassador-at-Large W. Averell Harriman becomes Assistant Secretary for Far Eastern Affairs. Three White House aides—including Walt W. Rostow and Richard N. Goodwin—move into top State Dept. jobs.

With these moves, Kennedy hopes to have the State Dept. more "respon-

STUDING TO MINIMUM TO THOMPS TO THE

International outlook continued

sive" to his views. At the same time, he hopes to strengthen Secy. of State Rusk's hand by putting men under him who from the White House had tended to second guess the State Dept.

British wages head up—and trouble looms Wage disputes will cloud Britain's economic outlook for some time ahead. Prime Minister Macmillan already has stubbed his toe on the wage issue, producing a shock to confidence in British business and financial circles. After making a wage pause the heart of his "save-sterling" policy, Macmillan recently let the nationalized Electricity Council grant a 5% wage increase to its workers, to go into effect Jan. 28.

As a result, the London stock market lost in three days all the gains of the previous three or four weeks. Doubts were openly aired in the press as to whether Britain would be able to join the European Economic Community (EEC) with sterling at its present exchange rate.

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For the past week, Macmillan and several of his ministers have been doing their best to repair the damage. They have insisted publicly that the electricity wage increase went through by mistake, that the wage pause will continue. Apparently they still hope to suspend most wage hikes until April, then limit them to 2½%.

There is almost no chance that this can be done without a series of big strikes. For example, the nationalized railways and coal mines might well be hit. London's one consolation is that France is beginning to suffer from a new bout of wage inflation, while in West Germany wage increases are pulling well ahead of productivity (page 71).

If Britain should be forced to change the rate for sterling before entering EEC, at least half the European currencies and all those of the sterling area would go along. Then, of course, the dollar would come under tremendous pressure.

The prospect of some such sequence helps explain why the U.S. Treasury hasn't been critical of the big gold purchases London has just made from the U.S. (page 123). You could put it this way: As the other reserve currency, sterling is almost a first line of defense for the dollar. To strengthen sterling by putting more gold behind it helps the dollar.

On tariffs, U. S. now sees it as one world

At a top-level GATT meeting in Geneva this week, Under Secy. of State Ball pushed the U.S. view that the West's economic problems can be solved only on a global not a regional basis.

The GATT discussions centered on three basic issues: the tariff negotiating system; problems of primary and agricultural products from underdeveloped areas; problems of agricultural products from the temperate zone countries. On all three, the U.S. insisted that a broad, free world approach is essential.

There was wide agreement among GATT members that the emergence of regional trading blocs has made the old system of item-by-item reciprocal tariff bargaining obsolete, that only across-the-board reductions make sense.

There was less agreement on how to handle tropical and primary products and no progress in the case of temperate agricultural products.

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Hiller's "Ten99" is making a bid for reconnaissance work with the U.S. Marines

NEW PRODUCTS

New role for 'copters

Turbine-powered helicopter, which combines best features of little 'chopper' and heavy-duty machines, has both military and commercial possibilities

Aircraft makers are taking a tip from the auto makers, who realize the need for an in-between vehicle that combines the best features of the compacts and the standard-size cars.

Now on the horizon is the turbinepowered in-between helicopter, a new generation of rotary-wing aircraft. It combines the workhorse instincts of the little "chopper"—in such uses as rescue missions, setting utility poles in remote areas, stringing cable, geological exploration with the heavy-duty characteristics of larger machines used for moving cargo and passengers.

A prototype of this new generation, the turbine-powered Hiller "Ten99" (picture), is being evaluated by the Marine Corps. The Marines want a utility helicopter with a gross take-off weight in the 3,000-6,000-lb. range to be used for reconnaissance and assault support. Hiller Aircraft Corp., a subsidiary of Electric Autolite Co., had the Ten99 to offer.

New market. Hiller's first turbine job is a six-place helicopter, with a payload in excess of 1,000 lb. Pres. Stanley Hiller, Jr., calls it the "smallest big helicopter flying." Performance figures have not been released.

Development of the Ten99 began in 1958 when company studies indicated a need, in both military and civilian applications, for a helicopter of intermediate size. As Hiller read the signs, the market between 1965 and 1970 would demand helicopters with a capacity of five to eight passengers. The Ten99 is designed to answer the problem of transporting passengers and cargoes between downtown and airport in areas that can't generate enough traffic to support the bigger jobs.

Dual role. The new machine is designed around the Canadian-built Pratt & Whitney 500-hp. PT6 turbine engine, which is lighter than a reciprocating engine of the same power. Its turbine is mounted above the passenger-cargo compartment, freeing space for more payload. The cabin is a box-like space of 100 cu. ft. that can serve either for passenger or cargo use. Rear-loading clamshell doors permit rapid handling of bulky cargo, troops, and litter patients.

Just now, Hiller is concentrating on a machine for the Marine Corps. But regardless of the outcome of the military competition, Hiller plans to produce a commercial model, after 1963—in the \$100,000-\$140,000 range. The price of the military version has not been disclosed. **End**

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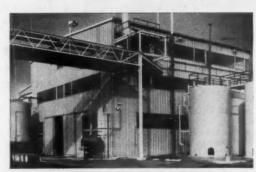
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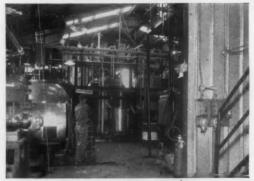
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Putting computers in the back office

The Midwest Stock Exchange is developing an electronic centralized bookkeeping service it claims will mean substantial savings in time and money for member firms

Chicago's Midwest Stock Exchange, which prides itself on its conservatism, this week revealed details of the most sophisticated electronic bookkeeping program in the securities business. The system, nearing the end of a pilot run, eventually will provide centralized bookkeeping for member firms of the MSE. And if it lives up to advance billing, it could revise lots of thinking about "back office" operations, which plague brokerage firms in periods of high volume.

Slow acceptance. There are few businesses that require so many files to be updated on a daily basis for such a multiplicity of transactions. Yet, surprisingly, brokerage firms—whose analysts spotted the growth potential of electronic data processing years ago—have been slow to use EDP themselves.

The bigger brokerage firms now use computers in their operations. But as an official of Peat, Marwick, Mitchell & Co., the accounting firm, said: "The back office has long been neglected by management as an area fit only for those with green-eye-shade mentality."

Midwest's program clearly shows that the back office is coming into its own, and the whole securities business is eager to see how it works out. That's because a number of brokerage houses have set up joint bookkeeping operations, and it appears that this trend will spread. But these have been on a city-wide basis, and not on a regional basis. So it's likely that if the Midwest experiment catches on, the country's smaller brokerage houses would plump for centralized exchange systems rather than small joint efforts. (The New York Stock Exchange has no centralized bookkeeping setup.)

Big savings. The cost savings involved could be substantial. A study made for MSE showed that 85 member firms spent \$4.2-million on labor and machines in their bookkeeping

in the year ended Mar. 1, 1960, compared with an estimated \$1.1-million that centralized accounting would have cost.

Specifically, Midwest's president, James E. Day, says the Midwest program will reduce back office expenses by more than 70% per order, give faster and more accurate service to customers. He says that the cost of an individual trade will be 50¢—far below even those of joint bookkeeping ventures. The MSE program doesn't perform as many services for the participating firm as the joint bookkeeping operation, but still it means a big saving for small and medium-sized firms.

Its backers also say that the program will hold the line on commis-

sion charges.

How it works. The centralized system is designed to handle all bookkeeping for participating firms, including trades on the New York and other stock exchanges, as well as over-the-counter trades and some basic bond transactions. At present, three houses are involved in the pilot program, but 42 members in seven Midwestern cities already have made \$5,000 downpayments to speed conversion of their manual systems. This is expected to take from 12 to 18 months.

In one minute, the system can calculate 540 trades, print 50 statements, analyze and remargin 200 accounts, or post and print 500 stock record transactions. In so doing, it can eliminate a host of operations now being performed.

Among other things, firms will get daily purchase and sale blotters, cash movement cards, customer and broker balances and transactions, and dividend and proxy information. Once a week, stock record details will be transmitted, including customer and broker trial balances and salesmen's commissions. Monthly reports will give customer statements, interest calculations of



Pres. James E. Day says new MSE system will cut back office costs.

margin accounts, and commission reports for brokers.

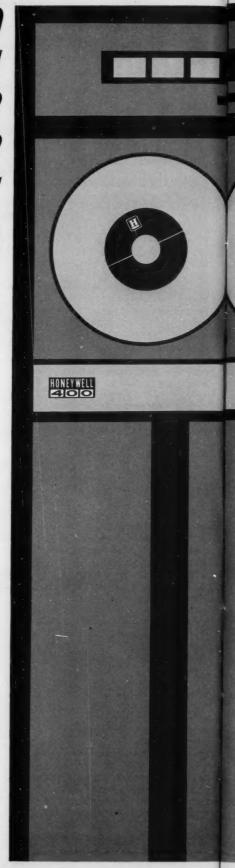
Midwest's program revolves around a service center—Midwest Stock Exchange Service Corp.—which uses IBM equipment. The service center takes data, collated by the member firm on punch cards and tape, from a connecting teletypewriter system and keeps current records on magnetic tape.

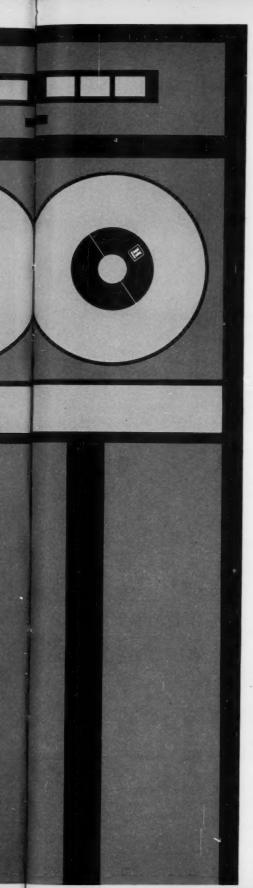
Joint operations. Midwest's program differs in at least one important respect from the operations now performed by the four major joint bookkeeping operations set up by brokerage houses. In Midwest's case, the data input preparation is handled by the participating firms; in the joint operations, the center does the work.

The four joint ventures are Accounting Associates, Inc., in San Francisco; Lasta, Inc., in Los Angeles; Tamcor, Inc., in New York, and Ibbac, Inc., in Pittsburgh. Groups in at least three other cities are planning joint bookkeeping operations.

How program started. Midwest

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If you're thinking of replacing your outgrown punched-card or overburdened electronic data processing equipment, you owe it to your company to find out what Honeywell 400 can do. A brief talk with one of our sales representatives may tell you just what you want to know. Call or write Honeywell EDP Division, Wellesley Hills 81, Mass. Or Honeywell Controls Limited, Toronto 17, Ontario.

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deliberately started its pilot program small. Only three brokerage firms were involved—Wayne, Hummer & Co. and Mitchell, Hutchins & Co., both of Chicago, and Robert W. Baird & Co., Milwaukee.

George Becker, a partner in Wayne, Hummer, explains his firm's participation this way: "Except for the few big houses that could afford to put in their own computers, the back office has been a horse-and-buggy procedure for brokerage houses. We investigated electronic

bookkeeping, but found it too expensive to go it alone."

Membership prospects. Wayne, Hummer, like the other participants, will be charged 50¢ per transaction based on a daily volume of 7,000 individual tickets. Any of MSE's 302 member firms may join the system but Day himself says the savings just aren't there unless a house writes about 7,000 tickets a day. He sees about 100 additional members coming into the system in the next three years.

Kennedy to cut silver loose

Administration has stopped Treasury sales of the metal and will ask Congress to repeal legislation making silver a backing for paper currency

The Kennedy Administration this week took a first step toward reestablishing a free market for silver in the U.S. and putting it on a basis with other industrial commodities.

It also laid plans to withdraw silver as a backing for the nation's small paper currency. Silver backing now accounts for \$2-billion out of more than \$32-billion of paper currency outstanding.

Congressional action. To accomplish both ends, the Administration will have to get Congress to wipe present silver legislation off the books when it reconvenes in January. Treasury officials are confident this will happen, but the silver mining bloc may object to removal of the "floor price" under silver.

The immediate effect was to shoot up silver's price in free markets. In London, silver sold for the equivalent of 99¢ an oz., compared to the Treasury's pegged price of 90.5¢ an oz., and the \$1.29-an-oz. value used by the U.S. for monetary purposes; Handy & Harmon, leading silver fabricators set a price of a little over \$1 an oz. Under a 1946 amendment to the Silver Purchase Act of 1934, Treasury is required to buy at 90.5¢ an oz. all mined silver offered to it, and sell a bit higher.

Selling stopped. What the Administration did, by fiat, was to end U.S. Treasury sales of its so-called free silver—metal not required to back up silver certificates—which is available for domestic use and coinage. When the Silver Act was enacted in the depressed 1930s, Treasury buying amounted to an outright subsidy for domestic silver produ-

cers. But in recent years industrial usage of silver has increased so greatly that the Treasury has become a net seller of the metal.

In mid-1959, Treasury had some 210-million oz. in free silver, but by this week the cupboard was down to 22-million oz.

The Treasury's supply has hung over the market, tending to depress what otherwise would have been a rising price trend.

Naturally, the silver miners are pleased about the latest move, but if Congress repeals the Silver Act, they no longer will have the 90.5¢-an-oz. support for the metal.

Trade sources expect silver to rise moderately—\$1.10 an oz. is seen as the top. But there won't really be a free market in the U.S. until Congress repeals the Silver Act and removes an amendment to the Internal Revenue Code that places a special 50% tax on profits made in silver transactions.

Currency shift. Congress also will be asked to "provide for the eventual demonetization of silver except for its use in subsidy coinage." Treasury already has legal authority to withdraw silver backing from \$5 and \$10 bills (replacing them with Federal Reserve notes), thus freeing some 500-million oz. of silver behind them for coinage—an eight- to 10-year supply.

However, about 1.2-million oz. of silver are earmarked as backing for \$1 and \$2 bills. Authority to remove silver backing from these bills—and the issuance of Federal Reserve notes to replace them—will need Congressional approval. **End**

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Wall St. talks ...

about possible Ford stock split, bank rivalry in Chicago, Brunswick Corp.

Ford Motor Co. will soon decide on whether to split its stock. Once the Philco acquisition is completed, the directors will take up the question of a split and an increase in the dividend. This would broaden the market. If the Ford Foundation also decides to sell more of its holdings, there's some thought this would put more stock on the market than it would take readily.

Chicago's two big banks, Continental Illinois NB&T Co. and First National Bank, battling for the rank of No. 1 in the city, also are engaged in stiff competitive fight to win certificates of deposit business from corporations. Until a little while ago, they had been offering higher interest rates than New York's banks, and claimed they were winning business at their expense. But now banks in both cities are offering the legal limit.

Brunswick Corp., hurt lately because of doubts about the strength of the bowling boom (it's now \$52, down from a 1961 high of \$74.87), is continuing to diversify. It's acquiring another medical research company to add to its A.S. Aloe supply division.

Wall Street is divided on what impact higher earnings for Sylvania Electric Products, Inc., will have on its parent, General Telephone & Electronics Corp. (\$25.25). Some brokers are recommending General Telephone, saying that Sylvania earnings are going up. But they caution that Sylvania and other manufacturing divisions contribute only about one-quarter of General Telephone's total revenues. Other brokers note that investment companies lately have been big sellers.

Mutual funds and their underwriting and advisory affiliates will be required to keep more complete records under new rules that the SEC has proposed. The agency feels the funds have been lax in keeping strict records of their dealings with brokers and investment advisers, so it has laid out specific details on how books and accounts are to be kept.

In the markets

BW

Stocks take breather after fast climb, but new rise is seen before yearend

After close to a 30-point rise in the month of November, the stock market slowed its climb this week. Individual issues reacted favorably to good news. North American Aviation, for example, jumped on word that it had been selected for the major role in the Apollo program, and Zenith moved higher amid reports of big sales of its color TV sets. But the majority of issues showed little gain. The Dow-Jones industrial average at midweek stood at 727, down some from its high.

Following the swift rise, a consolidation at this point is not unexpected. But the consensus among brokers is that there will be still higher prices before the year is out. Brokers cite a number of bullish signs, including a brighter outlook for auto and retail sales, and the promise of a record number of yearend dividend extras.

New holding company has plans to acquire four Florida banks

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The trend toward larger banking institutions was underlined again this week when First Bancorporation of Florida, a new bank holding company, announced plans for acquiring four Florida banks, including the state's largest, First National Bank of Miami.

The plan, set up by New York's M. A. Schapiro & Co., already has the tacit approval of the Justice Dept., which has been active in attempting to block the consolidation of big banks. If the plan is approved by the Federal Reserve and stockholders of each bank, First Bancorporation will have assets of more than \$670-million, becoming the state's largest financial institution.

The new corporation intends to exchange its shares for the stock of the individual banks. None of the holding company's stock is now being offered for public sale.

Cary blueprints current SEC probe into operations of securities markets

William L. Cary, chairman of the Securities & Exchange Commission, sketched out this week a broad blueprint of the SEC's current probe into the securities markets. In doing so, he made clear that the study will undoubtedly produce new regulations and recommendations for legislation that will materially affect many areas of the securities business.

Cary chose the annual convention of the Investment Bankers Assn. of America, meeting in Hollywood Beach, Fla., to make his first public speech since taking office. He disavowed any charge that he or the SEC was "anti-Wall Street," but he made it plain that abuses have developed that call for vigorous enforcement. He indicated that the SEC probe will focus on several distinct areas:

- The over-the-counter market. Cary implied he favored imposing the same regulations on it that now apply to listed securities.
- New issues. Cary was critical of underwriters who take special forms of compensation, either cheap stock or options. And he wants to find out if the floating supply of some new issues is artificially restricted to produce big premiums.
- Evasion of credit requirements. The SEC seems almost certain to recommend new rules to cut down the activities of unsupervised lenders.
- Investment companies. Cary promised early action, and he is apparently seeking to establish a new set of standards covering practices in the industry.

Comprehensive study of new issues market to be conducted by Wharton School of Finance

Although the SEC may take quick action to curb abuses in the sale of new issues, any long-range reshaping of the market may have to wait until completion of a new study of the new issues market by the University of Pennsylvania's Wharton School of Finance. The Investment Bankers Assn. this week said it had commissioned the Wharton School to conduct a three-year, \$150,000 study of the entire investment banking business.

The project will be in the hands of Dr. Irwin Friend and Dean Willis J. Winn, the same team that turned out the highly regarded and influential study of the overthe-counter market.

The study is expected to break new ground in such areas are syndicate management, the cost of floating securities, and the operation of investment banking firms. Some preliminary results may be available by late 1962.

U. S. gold loss hits bond trading as prices on governments dip

The bond market this week was dominated by news of the U. S. loss of \$300-million in gold reserves (page 123). Prices on governments dropped nearly a point and corporates turned sticky.

Easing in the money markets—with federal funds available at less than 1%—failed to stimulate demand, except for Treasury bills where there was brisk trading. At Monday's weekly auction, Treasury bills were sold to yield 2.6%, the highest in more than a year, but by midweek higher prices cut the yield to about 2.55%.

Government dealers tend to view with skepticism official statements that the gold loss was simply the result of London's desire to build up its stock of gold and not a reflection of some break in cooperation between central banks. Most of them think the Federal Reserve will tighten credit, so they shaved prices to lower inventories.

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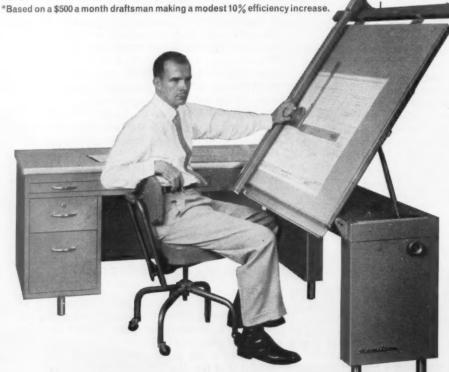
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Union backs Kennedy plan to cut tariffs

Machinists endorse proposals for freer trade. AFL-CIO support is expected, too—with some ifs and buts

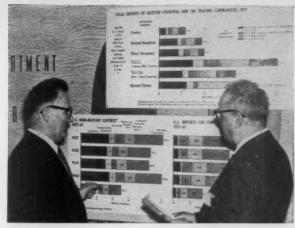
The International Assn. of Machinists took a long look at foreign trade this week—and concluded that its members have more to gain than to lose in helping the Kennedy Administration loosen trade barriers.

IAM's reaffirmation of its past liberal policy on foreign trade at a conference in Washington was significant of much more than the foreign trade intentions of 90,000 Machinists members. It indicated that the Administration probably can expect organized labor's support next year in moves for further easing of trade restrictions and closer cooperation with Common Market countries.

Historically, every liberal trade bill has needed vigorous labor support in order to pass. Pres. Kennedy will need every ounce of it he can get when he asks Congress for wide powers to negotiate tariff cuts and eliminations—powers he has described as essential if the U.S. is to escape economic disaster in its dealings with Common Market members.

Uneasiness. Once, the labor support would have been given with little or no question. However, continuing high unemployment rates have intensified protectionist sentiment in many unions—including IAM. This has been increased by widespread talk of a need to meet foreign competition by holding a line on U.S. labor costs, and by an undercurrent of cynicism regarding the Administration's trade adjustment program.

Labor's uneasiness has led to serious debate on the foreign trade policy to be taken by AFL-CIO and its 134 affiliates with 12.5-million members. This is expected to come out into the open at the federation's biennial convention in Miami Beach in the next two weeks. U. S. labor's policies will be spelled out there.



Two members of Machinists union, Ernest Perry and Donald Rivard, study Labor Dept. exhibit at IAM parley.

Preview. IAM's first conference on world trade provided a preview of the bigger debate, and it gave some hints of the terms on which the debate is likely to be resolved. Administration officials who watched the three-day session with strained attention were encouraged, although one commented: "If the Administration can't hold the Machinists for a liberal trade policy, it can't hold any union." Undoubtedly, that's so

IAM Pres. A. J. Hayes is one of AFL-CIO's strongest supporters of international cooperation and free trade. And many more IAM members produce goods for export, such as aircraft and machine tools, than are hurt by foreign competition.

Other unions in AFL-CIO—in softgoods lines particularly—have been hurt much more by a swelling volume of imports. Protectionist sentiment is stronger in these than in IAM. But with IAM and such other strong free trade unions as the United Auto Workers arguing support for the Administration, backing—with perhaps some ifs and buts—is almost assured from AFL-CIO.

I. IAM's conference

More than 200 delegates attended the Machinists trade conference.

Hayes outlined IAM's views. The Administration sent Labor Secy. Arthur J. Goldberg and Presidential Representative Chester Bowles. AFL-CIO was represented by Pres. George Meany. Top labor economists and foreign trade specialists appeared to support leadership arguments with statistics.

Conclusions. At the end of the sessions, the majority had agreed:

 It is in the national interest to expand our foreign trade—because U.S. economic health depends on it, because foreign countries that might otherwise be vulnerable to Communist penetration depend on it, and, basically, because "withdrawal from world trade and isolation from world problems is no longer possible," as Hayes put it.

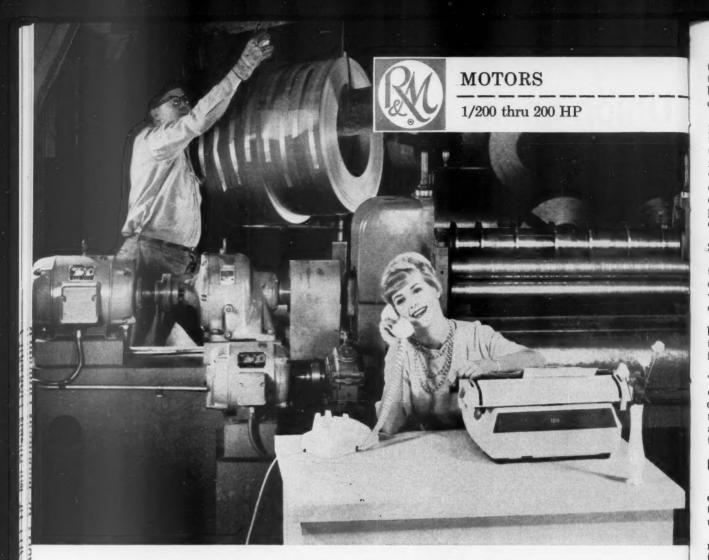
■ Industries and workers hurt by foreign competition must be helped not by quotas, tariffs, and other "artificial barriers that could only result in economic stagnation," but by government aid in retraining displaced workers, government loans to help communities and industries diversify, and similar trade adjustment devices.

These devices are part of the Administration's proposed foreign trade program. The legislative package will not receive AFL-CIO backing without them, Meany warned

Tax changes urged. IAM's tolerance of foreign companies competing in American markets did not extend to American companies that produce abroad for sale here—particularly if they use tax benefits originally intended to encourage investments in underdeveloped countries, the union said.

It called for changes in tax laws that now "make it more profitable to invest overseas than at home," and for legislation limiting U.S. investments in industrial countries.

These proposals are expected to show up in AFL-CIO policies, too. And the powerful United Steelworkers made similar recommendations on Tuesday to a House committee—urging Congress to end tax advantages enjoyed by steel industry overseas subsidiaries. However, the proposals had a cool reception in some Administration offices. Commerce Secy. Luther H. Hodges commented



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that while he favors "certain controls," he does not favor any embargo on investments—and will vigorously oppose any such suggestion.

Wage factor. The conference rejected firmly a management contention that high wages are an important factor when American industry finds itself unable to compete in world markets. Wages are only one element of labor costs and labor costs are only one factor in a company's competitive position, conference leaders said.

Here IAM received an assist from

Secy. Goldberg.

"Our exports are concentrated in those very industries, such as machinery and coal mining, where wage levels are high even by our own standards," he noted.

High-wage industries are apt to be efficient, well-managed industries; these are the kind that succeed in

foreign trade, he said.

In any case, Pres. Hayes warned, "Any attempt to close the so-called dollar gap by cutting wages could only result in aggravation of a much more serious gap . . . between the ability of industry to produce and that of workers to consume."

II. Recommendations

Instead of pressing for wage cuts or wage restraints, American industry might try these self-help measures, the conference suggested:

 Reduce the "fantastic managerial overhead" represented by such frills as surplus vice-presidents and unlimited expense accounts.

■ Take foreign markets more seriously. Only 4% of U.S. industrial companies are actively trying to sell goods overseas, according to Commerce Dept. estimates. Many more could expand both profits and job opportunities by making the attempt, the union said.

Produce goods that are more attractive to the foreign consumer by designing for function and easy repair rather than for rapid obso-

lescence.

 Follow the European practice of extending liberal credit instead of

insisting on cash.

Over the long haul, the problem will be eased by raising labor standards abroad, IAM reminded its members. It recommended that an international fair labor standards provision be part of every U. S. trade commitment, and also that unions step up their work with international labor bodies in order to strengthen foreign unions.

Educational plans. Also, IAM officials admitted quietly that they hope to "educate" members on the value

of foreign trade to U.S. workers.

The worker who loses his job because of foreign competition immediately demands protection ("and sometimes foreign competition isn't even the real reason—it's the most popular scapegoat in America," an official lamented). But the worker whose job depends on exports often doesn't even know that his company sells abroad.

This was borne out when the conference broke into small groups to discuss separate aspects of the topic. Hardly had the session on commu-

nity impact of foreign trade convened when an Elmira (N. Y.) delegate was on his feet to describe what happened in a community of 150,000 when the Remington Rand work force dropped from 6,000 to 1,200 as a result of a decision to move standard typewriter production to Italy.

The session was almost over before another delegate remarked: "We make industrial valves in our plant. When Aramco builds a refinery overseas we work for two months filling that one order."

Workers at Carrier plant drop USW in favor of craft union

Sheet Metal Workers win bargaining election at Syracuse plant formerly represented by Steelworkers. USW accuses rival of strikebreaking, leads fight in AFL-CIO

Employees of Carrier Corp. in Syracuse, N. Y., have rejected the United Steelworkers and chosen the rival Sheet Metal Workers 2 to 1 as plant bargaining agent—but the interunion dispute over Carrier's employees in Syracuse is far from over.

Industrial unions, supporting the USW, will ask AFL-CIO's biennial convention opening in Miami Beach next week to expel SMW for violating "the most elementary principles of trade union morality."

Their strong and angry protest is expected to bring an executive council order to SMW to quit Carrier. The craft union isn't expected to comply, but it is unlikely that AFL-CIO will go any further in punitive action that might drive the SMW into an alliance with the Teamsters.

USW on strike. Technically, USW is still on strike in Syracuse. The steel union won bargaining rights for the Carrier plant in January, 1960, and struck during hard contract bargaining two months later. Its position was vulnerable; only slightly more than half of those eligible had voted for USW.

Late in March, 1960, the company reopened its plant with 80% of its workers back at jobs. Soon, operations were normal, although the strike continued [BW Apr.9'60,p68].

SMW intervenes. Late last year, the Sheet Metal Workers began organizing Carrier employees at the Syracuse plant. USW protested to AFL-CIO that this was conduct "in

violation of AFL-CIO policy and the AFL-CIO constitution." After arguments, the federation's executive council ruled for USW in June of this year; it ordered the Sheet Metal Workers to "cease and desist all of its activities" at the Carrier plant—and to drop a National Labor Relations Board petition for a representation election. The SMW ignored the order. It contended that USW had "bungled its way to defeat" in the strike and no longer had "a legitimate claim" to rights there.

The recent Industrial Union Dept. convention in Washington gave strong backing to USW, through policy statements and more tangibly in last-minute campaigning help in Syracuse for USW against "strikebreaking" SMW. AFL-CIO Pres. Meany issued a statement to Carrier workers to make clear SMW was violating AFL-CIO's constitution.

The concentrated support for USW failed; the Sheet Metal Workers won easily, 1,721 to 864.

Craft issue heightened. SMW victory has sharpened even more the AFL-CIO conflict between craft and industrial unions. The SMW is a key union in the Building & Construction Trades Dept., already deeply embroiled in a jobs battle with the IUD [BW Nov.25'60,p123].

Adding to the IUD concern, the SMW has plans for expanded organizing—its staff is being increased quietly—in other areas claimed by

industrial unions. End

1947-49=100	Total cost of living	Food	Clothing		Housing
				Total	Rent only
October, 1953	115.4	113.6	105.5	118.7	126.8
October, 1954	114.5	111.8	104.6	119.5	129.0
October, 1955	114.9	110.8	104.6	120.8	130.8
October, 1956	117.7	113.1	106.8	122.8	133.4
October, 1957	121.1	116.4	107.7	126.6	136.0
October, 1958	123.7	119.7	107.3	127.9	138.3
October, 1959	125.5	118.4	109.4	130.1	140.4
October, 1960	127.3	120.9	111.0	132.2	142.5
November	127.4	121.1	110.7	132.1	142.7
December	127.5	121.4	110.6	132.3	142.8
January, 1961	127.4	121.3	109.4	132.3	142.9
February	127.5	121.4	109.6	132.4	143.1
March	127.5	121.2	109.8	132.5	143.1
April	127.5	121.2	109.5	132.3	143.3
May	127.4	120.7	109.6	132.2	143.4
June	127.6	120.9	109.6	132.4	143.5
July	128.1	122.0	109.9	132.4	143.6
August	128.0	121.2	109.9	132.4	143.6
September	128.3	121.1	111.1	132.6	143.9
Oct., 1961	128.4	120.9	111.4	132.7	144.1

12-month climb of consumer prices was slowest in six years

Labor Dept. officials this week disclosed that during the past 12 months consumer prices showed their slowest climb in six years. At the same time, while the Consumer Price Index rose less than 1% between October, 1960, and October, 1961, the buying power of factory workers' wages advanced 4%.

The details were included in a report on the Consumer Price Index for October. While the index advanced to a new high of 128.4%, the gain from October, 1960, was the smallest for a year since 1955. Wages of factory workers with three dependents rose by \$1.80 in October, to a new record high of \$84.12 a week, with the 12-month comparison showing a \$3.70 advance in spendable earnings.

Dana Corp., UAW work out three-year pact; wage boosts range from 12¢ to 18¢

The Dana Corp., manufacturer of transmissions and truck components, settled with the United Auto Workers last week for a three-year contract with wage increases of 12¢ an hour through November, 1964, for incentive workers, 15¢ to 18¢ an hour for others.

The terms provide a 4¢ increase this year, 5¢ in 1962, and 6¢ in 1963, with an added cent an hour for second and third shift workers each year.

If an employee is offered work for less than 24 hours a week, he can collect SUB ranging from \$17 if single to \$30 for a married worker with children. There is no waiting for a state unemployment check before SUB is paid.

Among what UAW calls "major gains" in fringe areas, normal retirement is set at 62 without any cut in pension

payments and compulsory retirement is dropped from 68 to 65. Pensions are increased for those already retired and those who will retire under the contract. And Dana agreed to pay full medical-hospital-surgical insurance costs.

Union members are more numerous, but as a percentage, they're dwindling

Unions have added 101,000 new members since 1953 but union membership as a percentage of the labor force has declined each year since then, according to new figures from the Labor Dept. Latest statistics place total membership at 18.1-million, but show the percentage of those unionized has declined from 25.1% to 23.3% of the work force.

The Labor Dept. report lists 15.1-million members in AFL-CIO unions (the federation itself only claims 12.6-million) and 3-million in independent unions.

Since 1958, unions have added a scant 36,000 to their ranks—and about 30,000 were women. White-collar union membership rose by only 8,000 since 1958 to a reported 2.2-million.

Construction walkout in Texas ends as compromise is reached on hiring hall

A 24-day strike that idled 3,000 workers and tied up \$300-million in major construction projects ended in Houston last weekend with a compromise on a key issue—a union demand that jobs be filled exclusively through an International Hod Carriers hiring hall.

Hiring exclusively through such a union-run hall has been held a violation of Texas right-to-work laws. Contractors refused to bargain on the demand. As an alternative, they accepted a "contractors' cooperation" clause that gives the union an equal opportunity to refer workers for job openings.

Otherwise, the settlement was on terms the union rejected before—a 20¢ raise in two steps over a 20month contract period.

Five years of labor peace pledged in Hawaiian dock workers' contract

Hawaiian stevedoring companies and the International Longshoremen's & Warehousemen's Union have reached a settlement pledging "there shall be no strikes or lockouts" on the waterfront through June 30, 1966.

The parties agreed to set the size of an employercontributed mechanization fund at about \$3.1-million over the five-year period.

Negotiations will continue between the parties on other unresolved issues. Any still unsettled on Jan. 15, 1962, must be submitted to binding arbitration.

Personal business

December 2, 1961

An executives' guide to buying furs

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Your wife may have been hinting recently that a new fur is just what she wants to find under the Christmas tree.

Such a gift can do wonders to perk up a woman's spirits—and her ward-robe—whether it's a \$150 mink boa or a \$45,000 sable coat.

One thought at the outset of any shopping trip for furs: You're always safe to buy mink. It's popular, long-lasting, and suitable for almost any occasion.

Mink runs a gamut of styles and prices: \$150 boas, \$500 capelets, \$700 shrugs, \$900 stoles, \$1,500 bolero jackets, \$2,000 jackets, and on up to coats ranging from \$2,500 to \$10,000—the price depends on length, quality, style.

Like any fur, mink is priced according to the number and quality of skins. You should look for dense fur, silky texture, soft, pliable leather; for color that is rich, uniform, lustrous; and for good workmanship and style.

Mink comes in two varieties: ranch and wild. They are equal in quality, but ranch mink, of course, is more prevalent.

The most expensive is wild Labrador, in colors ranging from light to dark brown—a coat can cost \$18,000.

Standard ranch mink is dark brown. This isn't your only choice, though: Scientific crossbreeds have produced some 40 mutation colors, each with an exotic name (such as Cerulean for blue, Jasmine for white).

Elegant sables and chinchillas

Your wife may prefer one of the less common luxury furs, such as sable, chinchilla, or Russian broadtail.

Natural Russian sable is the ultimate in elegance. The preferred color—natural black-brown—is very rare; a coat in this shade can cost \$45,000. A jacket is a comparative bargain at \$3,500 to \$7,000.

However, most sable comes in lighter shades and is dyed darker. Dyed ("tip-dyed" or "blended") Russian sable isn't so costly—\$7,700 to \$12,000 for a coat; \$2,700 for a jacket. And it takes a skilled hand to detect a dyed fur.

Chinchilla, the original regal fur, makes a lavish gift. This fluffy, formal fur is especially distinctive in small garments such as capes, boleros, and stoles for evening wear (\$1,000 to \$4,000). A full-length coat: up to \$25,000.

Another handsome luxury fur is Russian broadtail, for both evening and daytime. Jackets and three-quarter-length coats cost \$2,000 to \$4,000.

American broadtail is processed lamb from South America, sheared to look like the Russian variety. It costs one-third less, but even the best techniques fail to capture the sheen and moire (wavy lines) of the Russian broadtail.

Sportier furs for casual wear

Persian lamb and Alaska seal—universally popular in more casual, every day styles—are reasonably priced (\$900 to \$2,500 for coats).

Or if your wife is adventurous, you might check on coats of jaguar, opossum, and otter. These come in a variety of sporty styles and colors—red, green, blue, brown (\$1,000 to \$2,300). Sheared raccoon, beaver, rabbit, and otter are good furs for your college daughter (coats start at \$200 and go up to \$2,000).

For a surprise gift, you can make it a small fur piece that requires no fitting—boa, scarf, shrug, or capelet. Or you can have the fur salon sketch a coat or jacket design and box it with a swatch of the fur you've chosen.

Personal business continued

That way, of course, you avoid a costly mistake in judging her size, color, and style preference.

Buying from a reputable fur merchant is important. He should have remodeling and storage facilities, and not offer frequent sales and discounts. Another aid: the label, which must give the name of the fur, origin, and type of processing. It also must disclose the use of pieces, second-hand, or damaged fur. A good furrier, incidentally, should be willing to answer your questions in some detail, and candidly.

Plan now for next year's Seattle fair Seattle's Century 21 Exposition opens Apr. 21 for a six-month run. If you're planning a visit, note that the city's first-class hotels—and even motels—report substantial advance bookings. Write without delay.

You may save time and get good accommodations by contacting a special fair service, Expo-Lodging (312 First Ave. North, Seattle 9), booking space at the better addresses. Major downtown hotels include the Olympic, Benjamin Franklin, Roosevelt, and Camlin. Doric Sixth Avenue is a new city motel, near the fair's overhead monorail.

Three new outlying motels, all comfortable, are near Seattle-Tacoma Airport, 30 min. from the fairgrounds—Hilton Inn, Hyatt House, and Swept Wing Inn. On Olympic Peninsula, two hours to Seattle via ferry across Puget Sound is Alderbrook Inn, pleasant, restful.

Performing arts at the fair

The fair, incidentally, has announced that in addition to innumerable exposition attractions, its program will include drama and music, in an 800-seat playhouse and 3,100-seat concert hall.

Avant-garde theater will be presented by the Actors' Workshop of San Francisco and the Arena Stage of Washington, D. C. More classical fare will be performed by the Royal Dramatic Theater of Sweden, the Greek National Theater, and London's Old Vic.

The Seattle and Philadelphia Orchestras, the Belgrade Opera, the Soviet's Ukraine Dancers, and Poland's famed Llara Puppet Company will be on hand, too.

Meantime, on Broadway Newest dramatic hit to open in New York's West Side is the English import, A Man for All Seasons, by Robert Bolt (ANTA, 245 W. 52nd St.). Based on the conflict between Sir Thomas More and Henry VIII, it stars noted British actor Paul Scofield. The show is dramatic, moving, philosophical, and lightened with rich humor.

Yearend tax selling deadlines

For yearend tax selling of securities, a loss sale must be completed this year by Dec. 29. And if you want to realize a gain in 1961—bearing in mind the four-day delivery rule—you will have to sell by Dec. 22. If you miss this date, you may be able to realize the gain in time by having your broker handle a "same day" transaction.

Bond note: Treasury has announced that starting Jan. 1, up to \$20,000 in Series H Savings Bonds may be purchased annually by a single buyer (present limit is \$10,000). The ruling does not change the current \$10,000 limit for E bonds, face value.

H bonds pay interest every six months by check; yield is 3¾%, if held for the full 10 years until maturity.

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New banks seek niche in San Francisco

Against already sturdy competition, two newcomers hope to prosper by offering specialized and personalized service. Yet the state's bank roster is shrinking

Amid the smoke and noise of exploding firecrackers, a new bank opened its doors in San Francisco's Chinatown a few weeks ago. It is the Bank of Trade of San Francisco (top, right), the second new bank in the city and the fourth in California chartered by the state in the last six months. Its opening follows the debut of Golden Gate National Bank (bottom, right).

These two new banks reflect a change in California's banking structure, which is simultaneously expanding and contracting.

Chiefly because of mergers, the number of banks in California has been shrinking: from 208 in 1945 to 135 at latest count. Yet the number of banking offices—as distinguished from bank organizations—has risen from 1,050 to 1,844 over the same period.

Made to order. The opening of Bank of Trade typifies this paradox. For California, which will soon challenge New York as the nation's most populous state, is made to order for big banking empires. That's because of its liberal branch banking laws and the fact that industries and savers are located apart from each other, so deposits from one area can provide the loan-making power for another.

The Bank of America, the country's biggest, has 731 branches up and down the state. And there are four other billion-dollar banks competing with it.

Yet, California also offers an opportunity for the small bank that gives specialized or personal service. Thus, California's banking authorities have chartered 17 new banks in the last two and one-half years and will add two or three more before this year is out. Applications are in for 20 others.

Not all of these will develop into banks—authorities may reject them, or they may withdraw voluntarily —but it's quite clear that branch banking in California hasn't put an end to the independent bank.

Something special. At the same time, it's obvious that an independent must offer something special if it is to survive and prosper. That's the concept that gave Joseph Verhelle entry into Detroit banking [BW Aug.15'59,p76], and it's the one that stimulated Paul H. Louie (picture), a native of Canton, China, who is founder, board chairman, and president of Bank of Trade.

Louie regards sensitivity to local problems as a basic ingredient in his formula for a small but successful bank in a city already blanketed with 122 banking offices. He says 90% of his operations will be routine, but the remaining 10% will be molded to fit the needs of San Francisco's Chinatown, home for 30,000 Chinese-Americans.

Chinatown already is serviced by Bank of America (with an all-Chinese staff) and Wells Fargo Bank American Trust branches and two savings and loan association branches; a new branch of the Bank of Canton will open there this month.

Chinese ascent. Louie feels there's room for more, and he has tailored his bank that way. His tellers are bilingual, for example, and he is aggressively seeking business from the curio shops and other stores that abound in Chinatown. He intends to stress the personal approach to the retail end of banking, therefore he's not going after corporation accounts.

Actually, his biggest problem in forming the bank was to convince state authorities that there was room for another bank in the area.

Louie insists, though, that his is not solely a Chinese bank. The bank's board lists eight men of Chinese lineage and seven Caucasians, all local residents with varied backgrounds. Louie, who is managing partner of Kwong Hang Co., a



Paul H. Louie, chairman-president of the new Bank of Trade of San Francisco, set his bank in Chinatown.



Jacob Shemano, president of Golden Gate National Bank, opened doors last June in heart of financial district.



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New banks must agree that they won't merge for five years...

Story on page 119

family-owned import-export firm, and former president of a savings and loan association, is actively soliciting deposits and loans from outside the Chinese community.

Bold challenge. Much the same approach lies behind the Golden Gate National Bank, which was bold enough to locate on Montgomery Street, the heart of San Francisco's financial district, almost cheek-byjowl with the head offices of three billion-dollar banks, including Bank of America

Jacob Shemano, Golden Gate's founder-president, is centering his focus on the problems of urban communities, specifically home redevelopment and improvement. Golden Gate offers a full range of commercial bank services, but Shemano feels that its strength lies in offering individual attention to its customers.

Shemano planned a \$3-million capitalization for GGN, but public interest in the bank's stock caused him to increase it to \$3.45-million. New banks generally find raising capital fairly easy, but Shemano's success was a little out of the ordinary. The bank opened in June, and assets already exceed \$15-million; deposits, \$12-million; outstanding loans, \$5-million.

State rules. State banking authorities see no problems arising from the number of newcomers. Requirements for starting a new bank are stringent. Applicants must prove that they have a reasonable chance for success, that there's a need for a new bank, that the proposed management is qualified, and more. To top it off, they must sign an agreement with the banking department that the new bank will not merge for five years. This blocks any fast operator who might think he could parlay a successful application into a profitable merger with a bigger bank.

According to William J. Murphy, state superintendent of banks, there's no cause for worry about overcrowding as long as the requirements are met. "Addition of new banking competition gives the public a choice of banking facilities," he says, and the number of applicants suggests that there's still plenty of room to succeed in California banking. **End**

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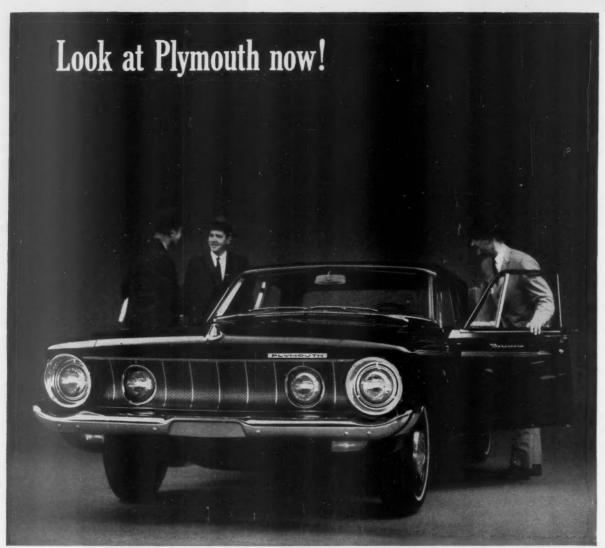
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Humble builds up gas business

Move to acquire Olin Oil & Gas seen as another step in developing the pipeline system to market the company's huge gas reserves. There's a good nearby market

Humble Oil & Refining Co., a giant in the oil industry, is throwing a real scare into natural gas pipeliners and gas utilities. Long recognized as having one of the largest gas reserves in the U.S., Humble has undertaken a series of financial maneuvers to increase substantially its position as a gas transmission and marketing

company.

In September, 1960, Humble showed for the first time the results of a \$68-million investment program. It opened its largest gas cycling and processing plant at Texas' King Ranch, where Humble has been sitting on big gas reserves since the 1930s, and also opened a new 238-mi. pipeline from the plant to Houston.

Last April, Humble joined with Lehman Bros., in an intricate financial deal to form Monterey Gas Transmission Co., an interstate pipeline company, to which it's selling gas from the King Ranch reserves [BW Apr.22'61,p29]. Monterey in turn is selling the gas to a supplier of Columbia Gas System, Inc., for marketing in Northeastern states.

Monterey also is slated to buy Humble's 238-mi. pipeline and extend it another 216 mi. to Alexandria.

Acquiring Olin. Two weeks ago, Humble moved to acquire Olin Oil & Gas Corp. of Louisiana. The offer calls for a tax-free exchange of Standard Oil Co. (N. J.) stock— Humble is Jersey Standard's chief U. S. subsidiary—at an equivalent of \$24 for each Olin share. This makes the deal worth some \$68-

Olin is a gas producer and purchaser, with a 1,284-mi. pipeline system centered around Baton Rouge. Olin has some oil properties, but 89.6% of its \$47-million in sales last year were in gas. The company produces 20% of the gas it sells, and buys the rest, some from Humble.

For Humble, the addition of Olin's gas and pipelines would put the finishing touches on a system to move Humble's big gas reserves to any of the sizable industrial markets along the Gulf Coast-either on an interstate or an intrastate basis, depending on the regulatory climate. Obviously, Humble is buying some production but competitors feel Humble has all the gas it needs. They're worried more about the fact that Humble, through Monterey and now Olin, is building a strong regional pipeline system in a fastgrowing gas market area.

Former owner. Jersey Standard has a natural interest in the company. Part of the assets that went to form Olin Oil were acquired from Jersey Standard when Olin was formed in 1953. Olin Oil & Gas was an independent venture of Olin Industries, Inc., which merged with Mathieson Chemical Co. to form Olin Mathieson Chemical Corp. in 1954. John M. Olin and Spencer T.

Olin still own 23% and 20% of the stock, respectively.

The chief reason for Jersey Standard's sale of those original assets was the increasing regulatory nature of the gas industry. When Jersey first laid the pipeline system that was to become Olin's and now will belong to Jersey again, it did so deliberately from the Monroe gas field in Louisiana across a corner of Mississippi and then down to Baton Rougewith the idea of avoiding state regulation, according to gas men. But FPC started taking a harder look at gas industry activities about that time, and in 1953 Jersey sold the system, then known as Interstate Natural Gas Co.

Big dent in U.S. gold stock

British drawing of nearly \$300-million worth was the biggest one-week drain on record. But it was worked out in advance to have minimum effect on the dollar

The status of the U.S. dollar came under fresh scrutiny this week after the Treasury announced a loss of \$300-million in the U.S. gold stock, the biggest weekly drain on record. For the first time since 1939, the total gold stock fell below \$17-bil-

The Treasury took special pains to explain the loss and minimize its significance. It said practically all of the loss was accounted for by Britain, which traditionally keeps most of its reserves in gold. The British departed temporarily from this tradition last summer when they bor-rowed heavily from the International Monetary Fund to strengthen the pound. Now that London is accumulating dollars on current account it is going back to its customary practice and shifting some of them into

In the Treasury's view, this transaction did not imply any lack of confidence in the dollar, and the free world's financial markets seem satisfied with this explanation.

No gold rush. On London's free market, the price of gold was at its lowest since August, and bullion dealers reported that demand from private sources was thin. This was in sharp contrast to a year ago, when foreign central banks and governments drew gold from the U.S., triggering a speculative rush out of dollars and into gold in London.

A new gold rush could develop, but the Treasury has been seeking to avert this danger by gaining the cooperation of other nations [BW Nov.11'61,p29]. Officials point to the handling of the British drawing itself as an example of cooperation. The one big drawing was considered less likely to arouse fears about the dollar among private investors than a series of weekly drawings.

This doesn't mean the British



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won't draw any more gold. But care will be taken to avoid undermining confidence in the dollar. As a U.S. official comments: "The dollar and sterling are in the same boat, and neither of us wants to rock it."

Summer shift. As a matter of fact, Britain's willingness to hold dollars this summer was part of its cooperative effort. When the British drew \$450-million in dollars—as part of a \$1.5-billion credit from the International Monetary Fund—to defend sterling, they could have put part of these U.S. dollars into gold, as they did during the Suez crisis, the last time they applied for credit from IMF.

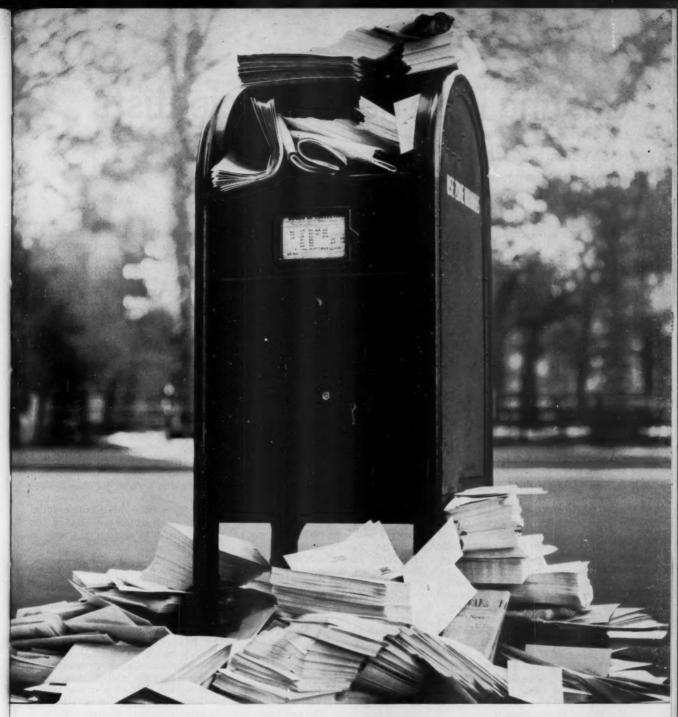
By holding the dollars, they averted a drain on the U.S. gold stock that could have brought the dollar under pressure as well as the pound. But as they gained dollars this fall, the British felt they should revert to their traditional holding of gold. They feel the pound is more vulnerable than the dollar and that strengthening was needed to bolster confidence in sterling. At the same time, they say a strong pound in itself helps to support the dollar.

Other foreign help. Including the latest British drawing, the U. S. has lost \$791-million in gold this year. The deficit in the U. S. balance of payments ran at an annual rate of \$1.7-billion in the first half and close to \$3-billion in the third quarter, so it is obvious that foreign central banks and governments generally are content to hold dollars rather than draw gold.

The Treasury insists it is sticking to its policy of trading in gold with any foreign authority "for legitimate purposes." It is also evident that any large transaction is being discussed in advance. The one thing the Treasury wants to avoid is a rise in private demand for gold that could upset the cooperation of foreign central bankers

Market fluctuation. Last year, gold hit \$40 an oz. on the London market, but speculative demand subsided when it became clear that the U.S. would defend the dollar. Demand revived during the summer, sending the price up again, but Treasury officials attribute this more to the Berlin crisis than to any new fears about the dollar.

Some private bankers are not so sure, though they admit cooperation in defending both the dollar and the pound has given pause to speculators. As they see it, a continued increase in the U.S. payments deficit could lead foreign governments to demand gold and also bring speculators into the market again. **End**



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Casting wide nets for scientists

NASA's drum-beating, itinerant team of recruiters is just one aspect of the government's effort to flesh out its expanding labs. There's likely to be a critical shortage

With fanfare and a growing sense of urgency, the U.S. government is pushing a drive to round up more scientific personnel. Recruiters are fanning out across the nation in a drive to staff swiftly growing federal laboratories. Insiders at the National Aeronautics & Space Administration, the Atomic Energy Commission, and the Public Health Service—the three agencies most vitally concerned—report that every trick in the man-hunting repertory is being used to lure scientists into the government fold.

Just for its own needs in the next six to eight months, NASA hopes to find 2,000 scientists and engineers. AEC wants at least 80 researchers to bolster its existing staff of 1,500 professionals. Public Health has a hurry call out for 100 or so "to carry out its growing research responsibilities."

bilities."

In fiscal 1961, government spending on research and development will run about \$7-billion; a year later the planners expect an \$8-billion bill. Clearly, all this new research money calls for more researchers, but such talent is not in sight now and the shortage is bound to get worse before it gets better.

The concern over the government's ability to obtain and keep top level scientists and engineers has been the subject of recent discussions in Washington. A report on the matter, along with recommendations on measures that might help to correct the situation, is expected to go to

the White House soon.

NASA hopes to cope with the shortage by spreading its dragnet into every major city; its flying squad of recruiters is already organized. AEC has not gone so far as to set up a special recruiting squad, but it, too, has been searching widely. Last month an announcement that it was on the lookout for additional scientific personnel brought AEC some 300 job applications. The catch, of course, is finding quality as well as quantity.

Requirements. At AEC, the search has compound difficulties. To start with, the nation just doesn't have

enough people trained in the fields that AEC must require. The agency starts with a basic demand for a Bachelor of Science degree, or its equivalent in physics, mathematics, mechanical or chemical engineerings, or some of the biological sciences. On top of that, experience in the atomic field is a must; for some jobs, actual experience in handling nuclear reactors also is required.

The jobs that AEC is trying to fill are in the \$8,000 to \$15,000 annual salary range. And that money just isn't always enough to attract the people the agency wants; they can do better even at most universities or research institutes. AEC's recruiting problem is aggravated because as government R&D grows, the majority of the job openings are at the broad, lower-paid end of the

salary pyramid.

For its part, NASA has put together a real high-pressure team of recruiting pros to combat the scarcity. Early last month it opened its first show in Chicago—preceded into town by a seven-story-tall model of a solid-fueled Scout, the so-called "poor man's rocket." Once the Scout was set up in the middle of Michigan Boulevard, troops of advance public relations men swarmed into town. Finally came the 16-man recruiting staff proper, well bolstered with scientists and engineers.

Headquarters were established at the Sheraton Hotel and the hard sell was on in earnest. The word was out for applicants to telephone in for a hasty screening. If they passed that, they got an immediate personal interview. In three whirlwind days, the Chicago drive produced 350 inquiries and 173 interviews. Just in case it had missed anyone, the departing team fired a last salvo of newspaper ads, urging applicants to write to Washington headquarters.

On the road. In mid-November, the show was put on in Denver, where it turned up 450 possibilities, then moved on for a pre-Thanksgiving performance in Phoenix. Response to the drive in Phoenix fell far

short of that in other cities. Only 87 persons responded, and only 40 of those were interviewed. But on the whole, applicants were "high quality." Before it gets back to Washington, the NASA team expects to hit 30 cities. Smaller squads will peel off into smaller towns, when prospects warrant.

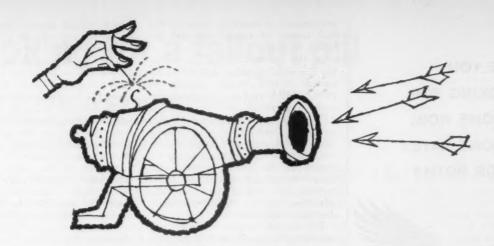
The entire coast-to-coast drive is costing NASA close to \$100,000; just in Chicago the tab for transportation, per diem, advertising, and incidentals topped \$8,000. Still, the agency says it will have a real bargain if it gets people it wants.

Most observers feel that any real success will be a miracle, however. Industry, scenting new space contracts [BW Sep.30'61,p62], is riding tight herd on its scientific personnel and looking around for more. Thus General Electric has announced that if it gets the multi-billion-dollar Apollo contract it will be in the market for 4,000 additional scientists and engineers. In the talent rivalry, industry is in the strong position of having more flexible salaries and more attractive administrative openings to offer.

NASA admits that the experienced scientists it has been able to lure so far have generally been influenced by intangibles. For one thing, the agency harps on the point that it is offering a chance to work on a major program, rather than on a

fragmented part of a minor one.

Contacts. What's more attractive to many scientists, though, is the possibility of contacts with the cream of the professional crop in NASA jobs. Several of NASA's applicants admitted that their chief interest is to get away from one company and then, through contacts at the agency, move on to another company closer to the heart's-or brain's-desire. NASA itself says a good many of its researchers move back into industry after a year or so; the agency's personnel director, Robert J. Lacklen, calls this "a fact of life." Such leakage isn't by any means total, though. Some of NASA's top people have had a change of heart as they felt the



Why leaders win price wars

Part of being a leader is being able to withstand the arrows of price competition. A leader need not be the biggest or the oldest company in its field, but it's the one that stands out because it is recognized as the best. It wins price wars because its reputation for excellence in its field will not be obliterated by pricecutting.

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A leader is also usually a living—and very healthy—testimonial to the effectiveness of an important marketing principle:

That in the long run it profits you far more to sell your product on its value rather than on its price.

Almost everyone will agree with that principle in theory; but many violate it in practice. It is often so easy to pick up quick sales by promoting "special prices" or "deals." And it is so hard to resist the temptation to fight fire with fire when price-cutting competitors are apparently hurting you.

But when you get down and fight the "cut-price" merchandiser on his home grounds, and by his rules, you place yourself in danger of losing much and gaining little. You identify your fine product with his and destroy, in the minds of customers, some of your product's distinctive value. You may gain short

term sales, but you are apt to sacrifice the kind of customer respect which creates long term growth.

Perhaps the main reason more manufacturers do not sell on value rather than on price is that selling on value is far more difficult than selling on price. It requires, of course, a product that has value. But that is only the beginning.

It also requires the marketing wisdom to know what specific "character" you should create for your product to separate it most favorably from all others of its kind. Then it requires the creative skill to crystallize that character on paper or on the air waves, and project it into the minds of the right people at the right time...

It requires something else, too—the lonely courage to stand out from the crowd, to tell your own story consistently, year in and year out, regardless of the opportunistic tactics of competition. Perhaps this is the rarest quality of all. It is sometimes called Leadership.

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excitement of working close to the real center of operations and decided to stay.

In the government as a whole, the scientific openings are extremely varied. NASA wants people in virtually all branches of mathematics and the physical and life sciences. AEC's prime openings are in physics and math. Public Health is primarily after pathologists and biophysicists. And each of the agencies is on the watch for the hybrid scientist, the man whose background and training straddles two or more fields and who thus has the feel of the multidiscipline approach.

The trouble is that industry also is looking for people with training in math and physics as well as hybrid scientists. This trend is unlikely to change as the table below shows. By 1970 industry will be employing about 75% more scientists than it did in 1959, according to this survey by the National Science Foundation. The projections show the biggest increase in math, where employment is expected to rise 107%; physics follows with a 103% gain.

Projections. According to the foundation, this adds up to an anticipated industry demand for 42,000 new scientists every year through the 1960s. From these and other projections the government recruiters can extract only chilly comfort.

NSF has taken the Office of Education figures for 1959, on all college degrees, and then assumed that science will continue to get the same proportionate share of the degrees as they did that year. On this basis, it looks as if 80,000 scientific degrees would be awarded each year, through the 1960s in the U.S.,

which would supply enough manpower for government and industry, on a rather tight fit.

The trouble is that figures based on awards of scientific degrees are misleading. They don't take into account the supply and demand factors in the different scientific specialities, and at different levels of proficiency. And they assume that all graduates with scientific degrees will choose to work as scientists.

Surveys in the past belie this expectation; usually only about 30% of scientific graduates have found their way into the labs. If this percentage should slip to 20%, it would leave the government facing a critical shortage, according to the NSF projections.

One man's worry. Government recruiters try not to dwell on this aspect of their task, but they are well aware of the magnitude of the problem. One of them, facing the difficulty in miniature, is Eugene J. Manganiello, associate director of NASA's Lewis Research Center in Cleveland. Says Manganiello, "By the middle of 1962 Lewis will require a total of 615 additional employees to help with its share of the lunar program, nuclear propulsion research, and various other space-related projects. Of these new employees, something over 400 must hold scientific and engineering degrees."

To fill the gap, the Lewis center is looking just about everywhere with the main stress on industry. As for the possibility of failure to meet the goal, Manganiello says, "We've got to make it. We've got to keep on scouring the country until we do."

Industry calls for more scientists ... particularly physicists and mathematicians

	Employed in industry in 1959	Employment in 1970 [estimated]
Chemists	95,000	163,200
Physicists	28,200	57,200
Metallurgists		23,300
Geologists and geophysicists		31,000
Mathematicians		59,800
Medical scientists		52,700
Agricultural scientists	40,800	69,700
Biological scientists	37,200	64,400
Others	18,700	26,900
Total	313,400	548,200

Data: National Science Foundation

© Business Week

Looking for a fallout pill

Government and private groups push the effort to find a pill that people can take when threatened by heavy radiation. It might be useful against cancer, too

With Russia setting off giant atomic blasts and the U.S. threatening to follow suit, the danger from fallout has become a matter of international concern.

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So far, the only sure answer to fallout is several feet of concrete, bulwarked by 10 ft. of earth. But scientists are working around the clock on another solution—a chemical pill that would ward off the devastating effects of exposure to heavy radiation, such as that produced during and after a bomb blast, or an accident at a nuclear reactor plant.

The Walter Reed Army Institute of Research in Washington, D. C., is heading a major government project in this area. The Army and Dr. David Jacobus, director of the project, have awarded about 30 grants to industrial and nonprofit research organizations—including Monsanto Chemical Co., Phillips Petroleum Co., and Arthur D. Little, Inc.—to help find the chemical.

Other groups, such as the U.S. Air Force Radiation Laboratory at the University of Chicago and various university and hospital teams also are working on the problem.

Big problems. Although the Army and Walter Reed won't comment on their work, other researchers discuss the problems they face, and the status of the national program.

Many of the chemical compounds being investigated have been known for years in the medical practice of radiology. For example, chemical agents that are used in connection with radiation therapy for curing cancer are being checked carefully. All told, scientists have tested about 1,200 compounds, on laboratory animals, and find that about 200 afford at least some degree of protection against the effects of radiation. However, even the best have serious drawbacks.

None of the chemicals checked so far gives any long-range protection. Mice tested with the most promising have survived nearly twice lethal dosages of radiation, but later they developed cancer and other harmful long-term after-effects.

Many of the chemicals have

blocked X-rays and gamma rays, but none has been able to screen out lethal neutron radiation—particularly heavy after a bomb blast.

All compounds being tested are aimed at providing protection prior to exposure to radiation. Nobody yet has found a compound that would be effective after exposure.

Dr. Ernest Campaigne, professor of chemistry at Indiana University—under a Walter Reed grant—points out that the known compounds will protect only against the minimum lethal dose of radiation, "in the range of 1,000 to 2,000 roentgens for man." In a bomb blast, there would be much higher levels of radiation over several hundred square miles.

Although about 12 of the compounds have been quite effective on laboratory animals—raising their tolerances to radiation nearly 50% above the minimum lethal dosage—the same compounds, administered in isolated experiments and in amounts that wouldn't protect against radiation, made human beings violently ill.

Side effects. Another vexing problem is the effect of the compounds themselves. Most of the compounds being tested fall into two general chemical groups: mercaptans and

anoxia-producing agents.

Mercaptans prevent highly reactive free radicals—formed when radiation breaks down water molecules in the bloodstream—from entering cells and tissues, splitting normal "healthy" compounds, and forming destructive new compounds. But, in doing this, mercaptans also inhibit the normal function of animal cells.

Anoxia-producing agents reduce the amount of oxygen in the animal system and this, in turn, prevents the formation of harmful free radicals, which need oxygen to exist. Normal cells, however, also need oxygen to function, and too much anoxia agent will suffocate the cells.

So the problem is to develop a compound that will limit the action of free radicals and at the same time permit enough normal cell function to keep the body alive.

Lethal dose. Beyond this, all the compounds that have been tested so far have to be administered in only about 10% less than the lethal dose if they are to be effective against radiation. "The lethal dose," says Dr. Kenneth Du Bois, director of the AF Radiation Lab, "is too close for comfort in every case."

With so little room for error, development of such a chemical in pill form is risky. Pills are the least accurate way to administer drugs—as opposed to injection—but for mass protection they are the most feasible. "There just wouldn't be enough trained people or time to inject an agent between a warning and an attack," says Campaigne.

Peacetime uses. Campaigne and others admit that research now under way may never prove out. But it may lead to invaluable and much more immediate peacetime applica-

tions

For example, better agents are being perfected for use in curing cancer, so that healthy tissues near a tumor could be protected against extremely large doses of radiation aimed at unprotected cancers. The Albert Einstein Medical Center in Philadelphia is studying this problem under a grant from the American Cancer Society.

Some of the present compounds have been used effectively to counteract the toxic effects of anti-leukemia drugs such as nitrogen mustards [BW Apr.9'60,p31].

Other peacetime applications would be protection for crew members of nuclear ships or workers in a nuclear plant—where the amounts of radiation would be more predictable than during a bomb blast.

Temporary answer. Immediate prospects for a "cure-all" pill to protect against a nuclear bomb remain slim. Du Bois is working on a longrange solution. He thinks it will be a long time before it is reached. But he feels that other researchers may be working toward a more immediate if temporary answer. Du Bois thinks somebody may come up with a "fallout pill" that will offer some protection, fairly soon. End

Congress, Pentagon take close look at nonprofit research groups

Independent nonprofit research organizations—under the gun for months because of operating practices that are called unfair by competitive profit-making and civil organizations—are now under government investigation and may face new restrictions.

The House Armed Services investigations subcommittee, headed by F. Edward Hebert (D-La.), is studying complaints that independent nonprofit research organizations:

 Have garnered a disproportionately large volume of fat government contracts.

 Pay their employees much higher salaries than civil service employees doing similar work.

Have access to, and no restrictions against, using secret information for personal investment gain.

• Have directors who are also directors of profit-making organizations that receive substantial subcontracting awards from the director's nonprofit organization.

Meanwhile, the Defense Dept. is reportedly drafting a "Code of Ethics" to bring employees of nonprofit research organizations under restrictions similar to those that apply to civil service workers.

This code, presumably, would bring pay scales into line, eliminate "interlocking directorates," prevent use of classified information for personal gain, and so on.

The Defense Dept. is also investigating the activities of university scientists who act as consultants to the military and have financial interests in defense contractors.

Nonprofit institutes maintain that any investigations will show their innocence of all charges [BW Apr.22'61, p83]. But both the Pentagon, prompted by a Kennedy order last summer, and Congress seem certain to continue to take a hard look at them.

Total time of exposure to radiation is greatest threat to spacemen

The National Aeronautics & Space Administration has come up with some startling figures on the radiation shielding that will be needed to protect man in space.

There are four lethal radiation sources to be considered: the Van Allen belts, giant solar flares, cosmic radiation, and the space capsule's own nuclear power source. But the danger to man is not so much related to any one of them as it is to his total time of radiation exposure.

For example, a man should be able to survive radiation from a giant solar flare, protected only by a 100-lb. ready-to-wear body shelter whose mass was largely water, provided he was aloft for only two weeks. For a three-year trip to Mars, however, a three-man spacecraft would require radiation shielding weighing up to 400,000 lb. The rule of thumb now accepted by most medical authorities is that, during any three-year

period, man can absorb safely up to 50 rem (roentgen equivalent, man)—or 25% of his allowable lifetime dose of radiation.

This supports the argument that the only practical way for man to travel to Mars is to assemble the space craft in earth orbit—the rendezvous technique.

MIT thinks its radar has a sign of 350-million tiny wires lost in space

The mystery of the tiny wires lost in space [BW Nov. 11'61,p105] may be one step closer to solution. A Massachusetts Institute of Technology radar at Millstone Hill, Mass., made four isolated contacts with "a small high-flying object" during November.

Researchers at MIT's Lincoln Laboratory believe it may be the 75-lb. package of 350-million hair-like wires, or dipoles, launched and lost on Oct. 21. The dipoles were sent aloft in MIT's joint communications experiment with the Air Force, known as West Ford.

Although the radar contacts—the most recent on Nov. 22—are promising, Lincoln Lab officials admit that such isolated observations should be viewed with reserve and skepticism until there is further evidence to confirm them. The dipoles are so far away—about 2,000 miles—and radar returns are so weak at that distance, that looking for the dipoles is "like standing on a Boston rooftop and looking for a football in the air over Denver."

Unifying concept of cancer causes spurs hopes of researchers

The international effort in cancer research gave hope this week that the long and difficult search may be close to important findings. In New York, Dr. Frank L. Horsfall, Jr., director of the Sloan-Kettering Institute for Cancer Research, said it is now clear that the various theories of the causes of cancer can be merged into one unifying concept. The basis for this unification, according to Horsfall, is the recognition that cancer, no matter what the inducing agent, is ultimately the result of a change in the chromosomal nucleic acid (DNA) of the affected cells.

A unifying concept of the causes of cancer provides researchers with an orderly method of relating various types of cancers in man. Heretofore, one of the most perplexing aspects has been the number and variety of agents implicated in the disease.

In Sweden, meanwhile, preparations are going ahead for the first test of a cancer vaccine on humans. Dr. Bertil Bjorklund, a former associate of Roswell Park Memorial Institute's Dr. John Graham [BW Sep.24'60, p109], will attempt to determine whether vaccination (with a vaccine made from fractions of dead cancer cells) will actually stimulate the human body to set up its own antibody protection against future invasion by cancer-producing agents.

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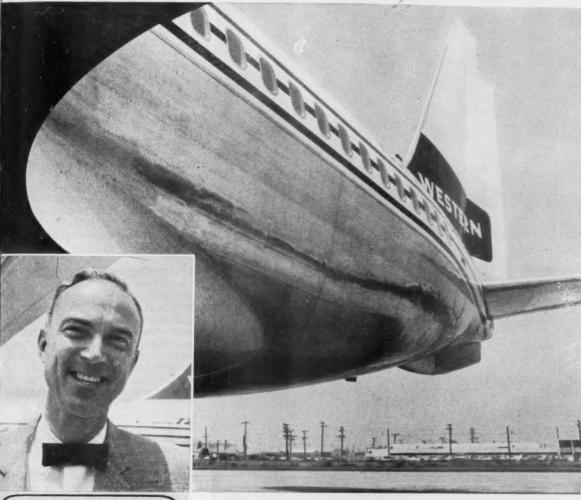
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They're advisers to top management, reporters of facts—and salesmen

Most companies sell products; banks sell the use of money, wrapped up in a bundle of services. Obviously, money is the most standardized commodity that exists, so the real competition among banks is over the quality of services they provide.

Particularly in trying to beat its rivals for business accounts, a bank must, in the words of one New York bank executive, "convince the customer that the bank can provide more fringe benefits than its competitors can." These benefits boil down to providing more reliable information to the customer about everything that affects his business.

That's where the economists (pictures) come in. Increasingly these days, when a major bank wants to put its best foot forward, it taps its chief economist—the man who, by background and training, is supposed to be best able to interpret the bewildering complexities of the national and world economies to the businessman.

Growing duties. As these complexities grow, so does the flurry of activity in bank economics departments. A Business Week survey of major institutions in banking centers across the country reveals that budgets for economists are soaring, staffs are growing and being upgraded in quality and responsibility, and publications are multiplying.

The banks hope all this activity will lead to a more useful performance by economists on three levels:

■ They hope the economists can increase the sophistication of other bank officials. Through formal and informal briefings, internal memoranda, and training programs for junior officers, the economics department seeks to educate other bank officers to be alert to major economic trends. Says Henry C. Alexander,



Marcus Nadler (extreme left), New York University professor and consulting economist for Manufacturers Hanover Trust Co., briefs a blue-ribbon group of businessmen at the bank on the outlook: "Continued expansion, but no boom."

chairman of Morgan Guaranty Trust Co. of New York: "Education of our officers is the most important function of our economics depart-

 They expect their economists to play a major public relations role for their institutions. Many economists-who consider themselves primarily scholars—dislike having a PR label attached to them, but it's the only way to describe large

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aspects of their job.

"Our chief economist is our finest ambassador," says one bank public relations director. "Our economics department's newsletter is the best vehicle we have for reaching opinion leaders," says another. And a third adds, "our economics department is the most important means we have of impressing businessmen that our bank is a reputable source of current financial and economic information.

• Finally—and the economists would like to think it's the most important job of all-banks expect them to perform such substantive work as forecasting general business conditions and trends in financial markets, keeping a cautious eye on Washington, staying abreast of foreign economies and international money movements, analyzing prospects for various industries.

Functional balance. Emphasis given to one or another of these three economics department functions-education, public relations, and analysis-differs from bank to bank and often is affected by the chief economist's own preferences

and talents.

When I was hired," says Eugene C. Zorn, vice-president and economist of Republic National Bank of Dallas, "it was understood that I wouldn't have to spend a lot of time on speeches and publications." Zorn is struggling to keep it that way; he likes to work mainly with the bank's officers. But Arthur A. Smith—Zorn's opposite number at the First Na-tional Bank in Dallas—says he spends at least 70% of his time on customer relations.

All chief economists, however, find it necessary to resist temptations to give too much of their time to speech-making, customer coun-seling, and publications work. They worry lest their own intellectual capital be depleted if they neglect an-

alytical studies.

Responsibility. In most banks, the economist still has not completely thrown off the curse of being considered an intellectual rather than a hard-headed, totally savvy business-man. Many bank economists find comfort in this view of themselves



Frederic L. Simmons (left), vice-president and economist for Morgan Guaranty Trust Co., discusses inflation causes with Chmn. Henry C. Alexander. He warns that "the role of government deficits in causing inflation can be overstressed."



George W. McKinney, Jr., vice-president and economist for Irving Trust Co., gives branch managers of the bank his department's business forecast for 1962: a GNP of \$561-billion, \$4-billion above the "standard" prediction.



Roy L. Reierson, senior vice-president and chief economist at Bankers Trust Co., New York, says he always makes sure he has "something new and important to say" before making a speech, and some of his pronouncements have become famous.



Sterling Brubaker, director of economic research at the Bank of America, keeps his department's public relations work at a minimum. "Our primary function," he says, "is to serve as advisers to management, mostly at the policymaking level."



Beryl W. Sprinkel, vice-president for financial and economic research at Chicago's Harris Trust & Savings Bank, holds frequent luncheon meetings for businessmen. Invitations to these briefings are coveted by Midwestern executives.

as intellectuals rather than decisionmakers. Norris O. Johnson, vicepresident and economist of the First National City Bank of New York, says "a great danger of the banks is that their economist may be drawn off into operations."

Not all banks see it that way. At Irving Trust Co. in New York, for instance, the economics department shares direct responsibility for major investment decisions: allocating the bank's funds between short-term and long-term securities and selecting the bank's long-term portfolio.

George W. McKinney, Jr., vicepresident and economist of Irving Trust, feels this policy has paid off handsomely. "Our bank's outstanding earnings record in the postwar period," he says, "can mainly be ascribed to the line responsibilities of our economists."

The majority of economists who are strictly staff men have a harder time proving their dollar value to their institutions. It's next to impossible, for example, to measure the payoff from their public relations work. Nevertheless, some banks feel strongly that the biggest dollar value of the economists comes from their PR activities.

National's letter. The prime example of a successful bank PR effort is the First National City Bank's famous Monthly Letter, which has spread the bank's name in the right way to the right people.

The distinction of the First National City Bank letter is that it does not merely describe economic events but takes outspoken editorial positions on them. It moves quickly to the attack when it perceives signs of inflationary government monetary or fiscal policies. It inveighs against tendencies to enlarge the role of government in the economy. These are scarcely unexpected positions for a large bank to take, yet the bank's executives feel that they are being rather daring, since their views may be offensive to some of their customers. "Our letter has lost some friends for the bank," says National City's Johnson, "as well as made many."

Johnson strongly defends the newsletter's policy of taking vigorous stands on national policy issues, maintaining that this is consistent with the banker's traditional role as the voice of prudence and financial integrity in his community.

Growing field. National City was the first bank to get into the newsletter field. It began its publication in 1904 as a bond letter. It became a general newsletter in 1914—beating by a few years the Cleveland Trust Co.'s distinguished newsletter, founded by the late Col. Leonard Ayres. Today, the Cleveland Trust letter has a circulation of about 30,000, compared with National City's 300,000.

National City is using its letter to push its influence overseas. The newsletter is translated into French, Spanish, and Portuguese editions.

To buck the National City's letter,

other banks have been forced to carve out niches of their own. The strongest competition to National City's letter comes from the Chase Manhattan Bank's Business in Brief —which opposes the scholarly, oracular tone of the City Bank letter with a crisp news style.

A late starter in 1953, Business in Brief now has a circulation of about 125,000. Primarily the responsibility of vice-president and economist William F. Butler, second-incommand to John D. Wilson in Chase's economic department, it concentrates on business forecasting, using graphs heavily to give itself a livelier and brighter look than the City Bank's letter.

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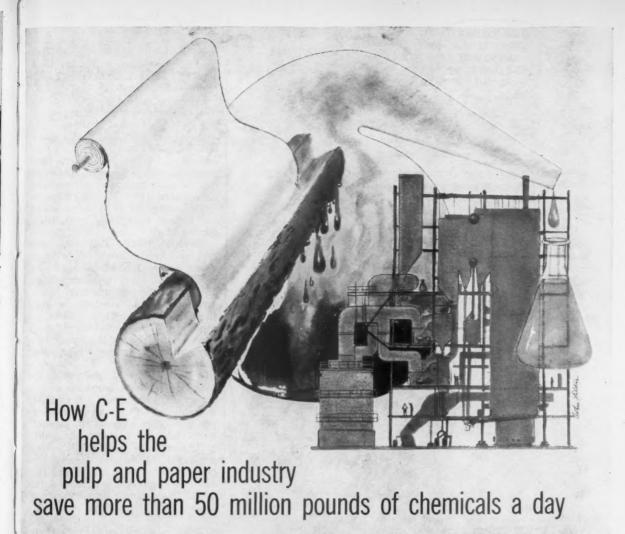
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Chase competes with City Bank in the foreign newsletter field by publishing Latin American Business Highlights and Report on Western Europe. To write their newsletters, Chase and City Bank can draw upon staffs of about the same size—at the moment both have in excess of 35 economists.

Special attractions. Other New York banks have their own gimmicks for attracting attention to their newsletters.

The specialty of the Morgan Guaranty Survey is publishing important documents of public interest. A recent feature was a major paper by Arthur F. Burns during his debate with CEA Chmn. Walter W. Heller over the alleged "neostagnationism" of Administration economists [BW Jun.17'61,p34].

The special attraction of the news-



Most of the world's paper is made from the cellulose contained in wood. An involved series of cooking processes and chemical baths is necessary to separate the usable cellulose from the other wood ingredients. Vast quantities of chemicals are required and, because of this, the economic well-being of the pulping industry literally depends on the efficient reclamation and re-use of these chemicals.

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The C-E Chemical Recovery Unit — at home in pulping plants the world over—not only solves the recovery problem, but at the same time, produces much of the steam needed to cook and process the pulp which the chemicals helped make.

The residue from the pulping process, a soupy mixture of chemicals, organic matter and water, is fed into the Chemical Recovery Unit which burns the organic matter as fuel. The heat evaporates the water. The unburnable chemicals fall to the furnace floor as molten smelt. The smelt flows from the furnace and is then processed and the chemicals made ready for re-use. And the steam generated by the heat from this process is sufficient to meet a sizable portion of the pulp mill's needs.

Today, C-E Chemical Recovery Units are installed or on order in the U. S., Argentina, Canada, Cuba, East Pakistan, Finland, India, Mexico, Portugal, Republic of the Philippines and Taiwan. In the aggregate, they have a recovery capacity in excess of fifty million pounds of chemicals a day. Without such recovery capabilities, the structure of the pulping industry would be considerably different—and the cost of paper would be much higher.

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letter of Manufacturers Hanover Trust Co. is that it presents the views of an outside consultant, New York University's Prof. Marcus Nadler. Over the years, Nadler has built up a large following in New York's financial community.

More and more of the big regional banks outside New York also publish newsletters. Typical of these is the Seattle-First National Bank's quarterly Summary of Pacific Northwest Industries. Miner H. Baker, vice-president and economist, thinks he has the right formula for a successful regional letter: He avoids hometown boosterism. He tries to depict his region completely and truly, warts and all.

Personal touch. Partly because they are well aware that corporate desks are inundated by mail and publications, many banks try to get one up on their competition by increasing personal contacts between their star economists and their potential or actual customers. Bank economists take to the road these days about as frequently as other drummers.

A bank economist's success on the mashed potatoes circuit depends on the strength of his public personality as well as on his technical competence. When a bank finds an economist who combines a big public reputation (often gained in Washington or in the Federal Reserve System) with personal charm and economic sophistication, it has "struck gold," in the phrase of one executive who feels that his bank has such a man.

Obviously, only the biggest and richest banks can afford star quality economists and the staffs to back them up. Smaller banks, however, are trying to get the most out of a low budget. Some have begun publishing newsletters, which they generally buy canned from New York economics consultants. Many small banks are using as consultants the economists of the big city banks with which they correspond.

A few small banks have begun to go still further. The National Community Bank in Bergen County, N. J., for instance, has retained a young assistant professor at New York University, Paul S. Nadler—Marcus Nadler's son—as its consulting economist and occasional

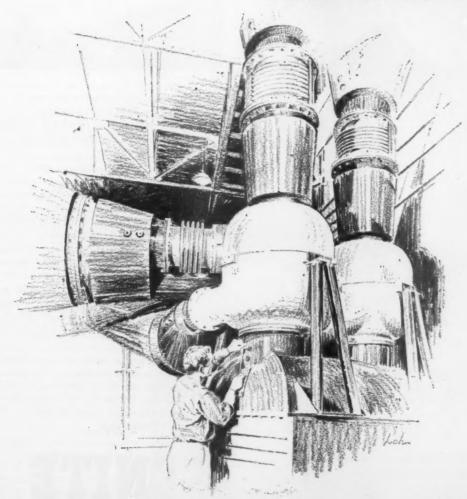
The bank thus is able to give local businessmen the kind of VIP treatment that big banks across the Hudson give their best-heeled customers. Nadler thinks this small-town counseling is excellent experience for him, and the bank thinks it's good business. **End.**

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Heat-sealability is another advantage. Tenite Polyethylene is formulated for quick, tight closing on packaging machines. Chemically inert, the coating is unharmed by the contents of packages. And its toughness and flexibility help strengthen the paper and protect against scuffing. With so many useful properties, Tenite Polyethylene is often applied as a coating or lamination to foil and films, too.

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POLYETHYLENE

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Western Union gets a voice

It has developed its own phone for transmitting data privoice by mere dialing

That's a Western Union telephone in the hand of Walter P. Marshall picture), president of Western Union relegraph Co. This instrument is a prototype, but within a year, Marshall hopes, production versions will tart to appear in the offices of Western Union customers in several major cities.

By the end of 1963, Western Union will have installed 29 new switching enters in larger cities across the ountry. In these areas, WU will be ble to supply a much broader type of service to its subscribers than ever efore: combined voice, high-speed ata, and facsimile service on an automatic dial basis.

The pushbutton telephone instrulent, which Western Union aproved this week for production, is ally the latest addition to WU's spanding system. The backbone of is the coast-to-coast microwave twork that the company is now istalling [BW] Aug 27'60 p.86]

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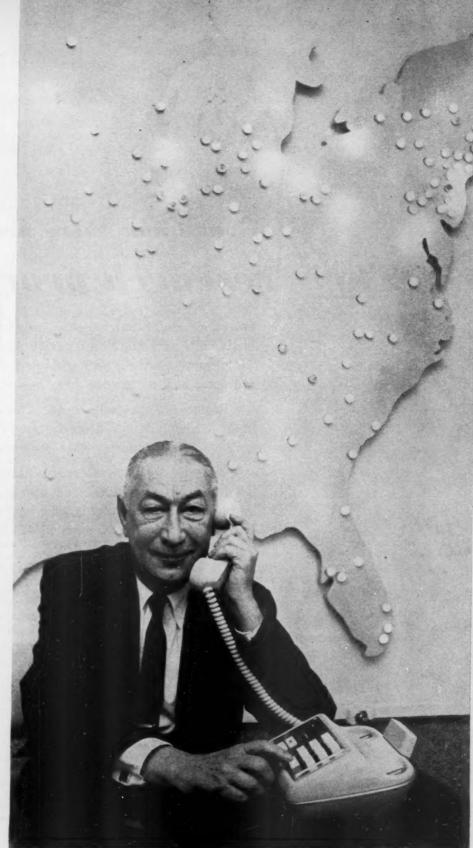
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stalling [BW] Aug.27'60,p86].

Microwave hookup. Specially degned to carry high-speed data ansmissions, the microwave netork will be able to outperform any ng-distance common carrier now existence, according to Samuel I. Barr, Western Union's vice-present of planning.

To hook subscribers into the new icrowave system, Western Union and Automatic Electric Co., near hicago, a manufacturer of telesone equipment, have developed a we type of switching center that's uch like a dial telephone automatic ntral office, but with an important ided feature: Subscribers will not ally be able to dial the station they ant but they will be able to dial type of circuit they require as ell.

For example, if a Chicago office ants to transmit a mass of data



Western Union Pres. Walter P. Marshall tries out prototype of company's new pushbutton telephone. Map shows cities linked by WU's Telex network.

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Their research proved it?

Two more major companies, General Electric Central Air-Conditioning and Scandinavian Airlines System, recently surveyed their own customers and prospects to find out which magazines these important people read.

Results of both studies confirm previous findings by 12 other companies: Newsweek reaches the right people more efficiently than any other general newsweekly.

Your local Newsweek representative can give you full details of these studies conducted in cooperation with Newsweek. Or you can get in touch with Charles E. Kane, Advertising Director, Newsweek, 444 Madison Avenue, New York 22, N. Y.



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from a computer tape to its associated office in New York, the Chicago office will be able to dial a code number that will connect up to 12 simultaneously operating telephone voice channels.

Such a communication link, which is called a broadband channel, can carry tens of thousands of bits of information per second. A common telegraph channel is limited to about

75 bits per second.

Flexible choice. The dial system gives subscribers a wide choice of service. The slowest and cheapest connection is a common telegraph channel, which does not permit the transmission of voice signals. The next choice up the scale, equivalent to half a voice channel, will provide a useful voice path as well as a fairly fast data link. After that, options come in multiples of full voice channels—one, two, four, or 12.

Western Union just this week signed a production contract with Automatic Electric for the first 15 switching centers. It also approved the design of the handset, which Automatic Electric will make, too.

New rates. Subscribers to the Western Union voice-data-facsimile network will find several important differences in the system. The rate

structure is a major one.

There will be a monthly rental charge for the equipment on the subscriber's premises, just as there is now with Telex, Teletype, or telephone service. But the use charge will be figured quite differently: Instead of a minimum hookup charge for an initial block of time, as is the case when you make a long-distance phone call or send a Teletype message, there will be only a charge for the time used.

It is conceivable that a data-transmission call from a branch office to a home office might take as little as 20 seconds, and that is all the subscriber would be billed for. It would mean that a buy or sell order could be transmitted from a broker in Cincinnati to his New York office for a dime or a quarter. It will also make it unnecessary to let communications pile up so they can be sent

in batches.

Market rivals. Western Union thus prepares itself with a rate structure that appears to offer the possibility of significant economies to subscribers and a dial system that makes it easier to hook up a variety of data-transmission devices. It also has the right to use Bell System facilities on a lease basis to carry voice as well as recorded messages. So it might seem that all Pres. Marshall need do now is to sit back and watch the money roll in.

Unfortunately, in the complex world of communications, it's not that simple. AT&T, too, is well aware that industrial data communications promises to be a tremendous market—one that within the next 10 years stands a good chance of exceeding voice communications in volume.

Right now, the Bell System offers, in its Dataphone system, a method of transmitting data over regular telephone lines. And for broadband transmissions, subscribers can get Telpak service, the equivalent of 12 to 240 leased lines, which are made available at bargain rates.

AT&T has between 200 and 300 Telpak customers under rates now in effect. These rates were established only for special installations, where Bell could provide the service on a single specific broadband channel. But AT&T also asked the Federal Communications Commission for permission to establish the same rates for Telpak service over standard facilities.

Legal argument. This action upset both Western Union and Motorola, Inc., which has an interest in selling private microwave systems.

Telpak competes directly with private microwave and, because Telpak service over standard facilities can be installed quickly, it threatens to absorb big customers that Western Union's new broadband microwave system won't be able to serve until the end of next year at the earliest.

At a lively hearing before FCC in mid-November, lawyers for both Motorola and Western Union objected to the Telpak rates proposed by AT&T. FCC, hoping to be able to make a quick decision, heard all sides but finally turned the case over to an examiner because it didn't have enough information to make a valid decision.

Fait accompli. This means Telpak rates for systems using standard Bell facilities will automatically go into effect on Dec. 8. And, according to a Western Union lawyer, it will take months of hearings to develop a final decision that by then will be unimportant as far as Western Union is concerned.

Western Union says Bell will be able to install special facilities for its Telpak customers by the time the hearings are over. So it will have converted customers using standard facilities to special equipment approved under the existing rate structure.

Undismayed. However, few executives at Western Union are pulling as long faces as their lawyers did at the FCC hearings. They are

still convinced that their new alternate voice-and-data system will win converts.

It is more flexible than Telpak, which is essentially flat-rate leasing of a number of telephone channels between points, while Western Union's charges will be figured on a use basis, more like regular telephone or Teletype service.

Furthermore, in Western Union's system, both the switching technique and the transmission equipment were designed specifically for data transmission, which requires quieter lines and higher-quality amplifiers than voice communications networks. The Western Union system is known as a full four-wire duplex, rather than two-wire as in telephone hookups.

According to Barr, the WU system will introduce far fewer errors in high-speed data transmission than connections over the voice telephone

network

Private lines. Western Union has a few other plans, too, that stem from its negotiations to lease voice as well as data facilities from the Bell System. It is planning to install private intracompany telephone systems, using high-speed automatic dial equipment supplied by Philips N.V. of the Netherlands.

Geographically separated offices using private internal telephone systems can now be connected over private wires leased from Bell, although they cannot, as a general rule, be interconnected with the Bell System's common carrier net-

work.

More options. With the new competition coming from Western Union and private microwave, the commercial communications user now has more options than ever before—and at lower rates. At the recent FCC hearing on Telpak rates, Robert Young, spokesman for communications user groups including the National Assn. of Manufacturers and the American Trucking Assns., said: "We don't look on Telpak as the end of the industrial communications revolution."

The economies of Telpak, he argued, are merely the economies of microwave transmission extended to telephone company subscribers, a victory for users who last year sought for private companies the right to set up their own microwave

systems.

"But we want to keep the common carrier in the private line field, too," he said, "because if he is sharpening his pencil, then Motorola is sharpening its pencil, and we haven't seen the end of this rate and cost reduction." **End**

The make-it-yourself power plant

On-site gas turbines, offering a fat bonus in exhaust heat that can be used, may become formidable competitors for the electric utilities. But they have a long way to go

In supplying power to industry, electric utilities for years have run up against competition from on-site power plants, but it has always proved more a nuisance than a real problem. Before World War I, there was the small steam engine, and during the 1920s, the more efficient diesel came on the scene.

Now, gas companies are touting a third-generation power plant—the gas turbine engine, burning, of course, natural gas. And electric utilities show signs of real concern.

The pitch for gas turbines goes like this: Your turbine can, at least in theory, produce power at costs competitive with the electric utilities -and it gives you a big free bonus in exhaust heat that can be harnessed to heat your building, or run absorption-type air conditioners.

The gas turbine cause hopes to get a big boost early next month when the Maple Heights (Ohio) school board opens the bids on a new \$1.5-million junior high. The project architect has already recommended that gas turbines be installed to light, heat, and cool the building; the board voted unani-mously to consider them as an alternate to conventional, purchased power. Seven companies-including Cooper-Bessemer Corp., Garrett Corp., Solar Aircraft Co.—have "expressed interest" in bidding on the

Shopping center. Up to now, there has been only one full-scale turbine installation to provide the triple service. That's at the Park Plaza Shopping Center in Little Rock—a thoroughly satisfied customer. If Maple Heights decides on the gas turbine, it will be the first move into a public building, and as such would provide a new field, as well as better credentials for the existing one-or so the gas people like to think.

At Little Rock, part-owner Vance Thompson says that the turbine installation has cut his power costs between 30% and 40%. He says he bills his tenants about \$7,500 in summer and \$7,000 in winter for light, heat, and air conditioning; that's about double his running costs

during the peak demand months-\$4,000 a month for gas and \$550 for labor and maintenance, which leaves him a nice margin to amortize the

cost of the equipment.

At Maple Heights, consulting en-gineer Leslie R. Buchanan, a partner in the firm of Mayer, Valentine & Buchanan, says the new school will need roughly about 500,000 kwh. per year. That would mean an annual electric bill of \$11,000 for light, heat, and air conditioning. "And," says Buchanan, "by switching to gas tur-bines and burning a maximum of 6,000 cu. ft. of gas an hour, you can do the same thing for about \$9,000."

In terms of thermal efficiency, the electric utilities average around 40% with their steam turbogenerators. With a gas turbine, according to the gas people, you can boost your efficiency to 65% or 70%—counting in the work done by heat no longer

The cons. There remains a considerable battery of arguments against the make-it-yourself gas turbines. For one thing, your own power plant uses up space and ties up capital. Park Plaza forked out \$160,000 for its one turbine, plus two smaller standby reciprocating engines to use for peak periods or in case there's a breakdown of the

main turbine.

These costs may become relatively smaller later on; right now they contain a considerable developmental factor, for there's a lot more to tailoring an individual system than just bolting a standby jet engine to the floor. Says Robert C. Kluthe, a re-search assistant for the American Gas Assn.: "You have to wed your turbine to your generator, and this is one of the reasons why we aren't further along. There's still plenty of developmental work to be done."

Another point is that on-site power is not flexible. The power plant has to be designed for conditions at the time the system is installed. If power needs are changed—by new methods, by economic cycles-you may find yourself either short of capacity, or with a lot of it lying

expensively idle.

Generating your own power means you are going into a new business, as the electric utility people point out. The Edison Electric Institute's Kenneth Adgate says: "The economics of generating electricity are extremely complicated, even in these small on-site plants, and many companies just don't want to fool with it."

Guinea pigs. Of course, the gas companies are working hard to cut down all these objections. Several of them plan to be their own guinea pigs. Northern Illinois Gas Co. is installing several gas turbines at its new headquarters in Glen Ellyn, and plans another at a Chicago building by 1963 [BW Jun.24'61,p87]. All Ni-Gas will say now is that if the results of its testing are favorable it will start promoting the use of the systems to its customers. Garrett Corp., which is building the turbines for Ni-Gas, expected another gas company contract this week.

As for the electric utilities, they are making their own engineering studies of on-site gas turbines, the

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better to resist them.

Fluorescent heat. They are also launching a counterattack via fluorescent heating. The argument goes like this: If you install a great deal of fluorescent lighting, morale and therefore productivity will be boosted in your plants and offices. And if you install enough of the lighting, you will have enough to heat the building as well. This, obviously, would remove one of the benefits of the waste heat from a gas turbine. Georgia Power Co. installed this type of fluorescent heating early this year in its Atlanta headquarters building. The system also has been tried in Canada.

A spokesman for New York's Consolidated Edison Co., which sells both electricity and gas, sums up the competitive aspects this way: "The gas turbine could prove a formidable competitor for on-site generation, but it will take more operating experience before electric utilities really know what they're up against and before gas companies know what they have to offer." End



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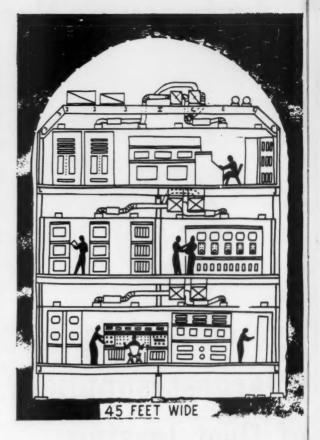
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Aerial view: From a distance, Cheyenne Mountain beyond Broadmoor hotel is just another element in the picturesque landscape that has made central Colorado a tourist haven.

Cross-section: Inside solid granite peak, smooth wall blasting techniques are producing caverns in which buildings like this will be set up to house U.S. defense nerve center.



DEFENSE

Defense agency goes underground

Deep within Colorado's Cheyenne Mountain, Army engineers are blasting a home for the central agency that will coordinate our defenses in case of enemy attack

Cheyenne Mountain, rising majestically in central Colorado, makes an impressive backdrop for the Broadmoor resort hotel. And for tourists visiting the 9,563-ft. peak, there's a large zoo, the Shrine of the Sun honoring Will Rogers, and a commanding view of the area.

In the nuclear age, however, Cheyenne Mountain is taking on a military function that will turn it into a No. 1 target in case of full-scale war. Big earthmoving equipment is hollowing it out at the rate of 1,600 cubic yards a day to provide an underground home for the North American Air Defense Command (NORAD). This is the central agency

that receives data from all U.S. and Canadian air monitoring systems, and decides on retaliatory action against enemy attack.

Subsurface city. Inside the chambers blasted from the granite mountain, a network of interconnected three-story buildings will rise. They will contain some \$40-million worth of electronic equipment and facilities to house and feed 700 workers for at least five days—and perhaps much longer. Other government agencies, such as the Federal Aviation Agency, may join NORAD in its mountain home, making even larger the already gigantic project.

For the first time in this country,

excavators are using a technique dubbed "smooth wall blasting." This rips up less rock per stick of dynamite than other methods, but produces cavities more structurally sound. Excavation techniques being developed at Cheyenne by the U.S. Army Corps of Engineers may well lead to an increased number of inmountain homes for defense agencies and even business enterprises.

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Nerve center. NORAD, currently headquartered in a converted hospital in Colorado Springs, is a joint operation of the U. S. Army, Navy, and Air Force, and the Royal Canadian Air Force. It works closely with such government agencies as the

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BUSINESS WEEK December 2, 1961



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Because destruction of NORAD headquarters would seriously impair our military defenses, officials have spent the past two years looking for a relatively invulnerable headquarters site. In 1959 the Corps of Engineers surveyed the country and picked the Cheyenne Mountain site above Limekiln Valley as the ideal location for a hardened base.

Cheyenne offers a number of advantages. The solid granite peak is easily accessible. There's a four-lane highway running right past. Across the road is the Army's Fort Carson, and the present NORAD head-quarters is less than 15 minutes away. In addition, the mountain can be tunneled directly without costly vertical drilling.

vertical drilling.

Green light. The project got its final go-ahead immediately after Pres. Kennedy took office. Plans were completed, and the excavation contract was awarded to Utah Construction & Mining Co. last May. Their bid—a whisker under \$6-million—was more than \$2-million under the government estimate.

Current plans call for finishing the tunneling by May and the \$10-million network of buildings by December, 1963. Installation of computers should take about another year.

Entrance to the underground headquarters is by a 1,500-ft. curved passageway built at the 7,000-ft. level. It's 22½ ft. high and wide enough for two lanes of trucks and one of pedestrians. This passageway turns into the central access tunnel or main street of the underground city. Two roads then lead to buildings inside chambers that intersect each other at right angles.

Besides living and working facilities, the headquarters will contain a power plant, fuel storage areas, water reservoirs.

The building-site chambers are huge—as much as 60½ ft. high. Except in odd areas where the rock is badly broken up, they must stand without special manmade supports. Such artificial shoring would add exorbitant amounts to the project's total cost.

Different approach. To fashion these chambers, Army engineers departed from ordinary blasting techniques that obtain maximum rock breakage from the explosive used. These techniques break the rock so irregularly that it continues to fall long afterward—a phenomenon Army Engineers feared could be dangerously accentuated by the blast wave from an atomic explosion. Thus, they chose the smooth wall approach, which they hoped would not only decrease the chance of wall breakup, but also keep the shape of the arches close to blueprint design and increase structural soundness.

Only recently, as nations have looked for ways to build large bomb-proof facilities, have engineers been looking again at smooth blasting—a common technique centuries ago in pre-dynamite days. Sweden has used the approach in building underground hangars, and RCAF facilities at North Bay also were built this way. The technique calls for extreme care and close controls on everyphase of drilling and blasting.

Trial and error. The Army Engineers, working with Utah Construction and the engineering consulting firm of Parsons, Brinckerhoff, Quade & Douglas, did glean helpful information from the Swedish and Canadian projects, but couldn't carry over their techniques intact. For one thing, the granite in Cheyenne Mountain has a closer grain than that in the foreign mountains. For another, the other projects used a special slow dynamite that gives off fumes above the maximum level allowed by the U. S. Bureau of Mines.

So the engineers have used conventional %-in. dynamite sticks. To determine how to blast the smoothest way, they have varied such factors as the amount and position of the charges, detonation sequence, and time lapse between firings.

Subterranean trend. Armed with the knowledge they are picking up at Cheyenne, Army engineers see an increasing use of underground facilities either as emergency centers or —like the NORAD installation—as full-time headquarters. The contract with Utah Construction, in fact, provides for additional blasting to make room for other agencies if they can find the money for construction.

But even under 2,500 ft. of granite, engineers can only reduce vulnerability, they can't produce indestructibility. While the NORAD headquarters could withstand a direct hit in the megaton range, it's no secret that a bull's-eye hit by, say, a 100-megaton bomb would blow all of Cheyenne Mountain skyhigh. **End**

BW BUSINESS WEEK

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Better machinery for foreign policy

In his shake-up at the State Dept., Pres. Kennedy has gone a long way to correct some of his hurried political appointments of a year ago and to straighten out the lines of authority and responsibility in foreign affairs. To his credit, the President has run the risk of some political fallout in the liberal wing of his own party rather than go on

with a setup that wasn't working.

Secy. of State Dean Rusk and his whole department can only gain by the replacement of Under Secy. of State Chester Bowles by the Under Secretary for Economic Affairs, George W. Ball. In his handling of foreign economic affairs, Ball has managed so far to combine both energy and daring with a good deal of common sense—though, to be sure, he still has to meet his severest test of these qualities in helping to shape the Administration's new trade policy. Replacing Ball is George C. McGhee, who has been counselor at the State Dept. and chairman of its Policy Planning Council.

As part of the reshuffle, Kennedy also has moved two of his White House aides into State. Walt W. Rostow is taking over from McGhee; thus moving to the spot that had been originally slated for him. At the same time, Richard N. Goodwin leaves his somewhat controversial role as White House spe-

cialist on Latin America to become a Deputy Assistant Secretary for Inter-American Affairs. These two appointments will do a good deal to erase the impression that Kennedy deliberately set up a duplicate State Dept. in the White House. To a greater extent than before, authority and responsibility will reside in the same hands.

It is heartening also that W. Averell Harriman, toward the close of a long career in public service, has been willing to take on the job as Assistant Secretary of State for Far Eastern Affairs. As U.S. negotiator with the Russians on Laos, Harriman has proved himself a stubborn advocate of Western interests.

Bowles is to continue in the Administration as a special representative and adviser on African, Asian, and Latin American affairs, with particular emphasis on the new and developing nations. This is a job to which he should be able to contribute both experience and zeal.

This reorganization should give the President a stronger group of top men at the State Dept. and provide a sharper definition of responsibility in the handling of U.S. foreign policy. At a time when international problems increasingly engage the President's time and energy, these are real gains.

Wrong kind of help for textiles

Cotton textiles have their problems, besieged on the one hand by synthetic fibers and on the other by imports:

Per capita use of cotton in this country declined from more than 29 lb. in 1959 to 23½ lb. last year.

Imports have increased fivefold (measured by cotton content) since 1959, topping exports last year for the first time since the war.

Here we have, then, an industry which economic theorists might tell us should shrink to size—should develop in the areas where it is competitive while shifting capital and manpower that is noncompetitive into more productive pursuits. Such an argument might be expected to command special attention when this country is advocating a new and more liberal approach to foreign trade.

An approach so unsympathetic, however, has never seemed in the cards for textiles. The assumption has been that cotton would receive special treatment in any broad, new trade program.

This feeling was strengthened when the State Dept. officially sponsored the plan for a 14-nation system of export-import quotas for textiles. Then there was the decision, when the Treasury launched its new system of depreciation allowances, to make the textile industry the first recipient of the benefits [BW Oct.21'61,p28].

Finally—and here's the real conflict with liberalized trade policies—President Kennedy has ordered the Tariff Commission to investigate the cotton mills' need for an overriding duty. He mentioned a possible impost of $8\frac{1}{2}\phi$ on cotton content.

There is no mere coincidence in the figure of $8\frac{1}{2}\phi$. This is the amount of the export subsidy on raw cotton sold to foreign mills. This is the program that permits U.S.-grown cotton to compete in world markets. Domestic mills, to all practical purposes, must buy all their raw cotton at the supported price.

The fact that domestic mills have had to pay about one-third more for their raw material obviously has put them at an unfair disadvantage.

But is the cure a higher duty? Might it not be fairer simply to let all comers buy raw cotton at the same price—and a better prelude to the launching of a new trade policy? If this were to prove an entering wedge for a re-thinking of the whole cotton support program, so much the better.

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